

SWELLENDAM

MUNICIPALITY



UNAUDITED

FINANCIAL STATEMENTS

30 JUNE 2016

SWELLENDAM LOCAL MUNICIPALITY

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SWELLENDAM LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

NATURE OF BUSINESS

Swellendam is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Swellendam Municipality includes the following areas:

Swellendam
Barrydale
Suurbraak
Buffeljagrsivier
Malagas
Infanta

MAYOR

Mr N.G. Myburgh

MAYORAL COMMITTEE

Mr N.G. Myburgh - Executive Mayor
Mr R.C. Carelse - Deputy Mayor
Mr H. Hartnick - Member

MUNICIPAL MANAGER

Mr.C.M. Africa

CHIEF FINANCIAL OFFICER

Mr H. Schlebusch

REGISTERED OFFICE

49 Voortrek Street
SWELLENDAM
6740

AUDITORS

Auditor General South Africa
Private Bag X1,
Chempet, 7442

PRINCIPLE BANKERS

ABSA BANK ,67 Voortrek Street , Swellendam

ATTORNEYS

Powell Kelly Veldman, P.O. Box 18, Swellendam

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1986)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SWELLENDAM LOCAL MUNICIPALITY

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY

WARD

Ward 1
Ward 2
Ward 3
Ward 4
Ward 5
Proportional
Proportional
Proportional
Proportional

COUNCILLOR

Cllr J. du Toit Loubser
Cllr M.T.A. Swart
Cllr H. Hartnick
Cllr M.J. Koch
Cllr G. Libazi
Cllr N.G. Myburgh
Cllr R.C. Carelse
Cllr G. Mtila
Cllr J.C. Nortje

APPROVAL OF FINANCIAL STATEMENTS

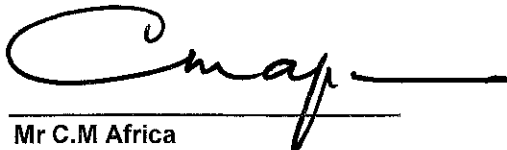
I am responsible for the preparation of the annual financial statements for the year ended 30 June 2016, which are set out on pages 1 to 94 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr C.M Africa

MUNICIPAL MANAGER

Date:

30/8/2016

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		226 019 743	209 316 460
Housing Development Fund	2	3 653 687	3 624 369
Capital Replacement Reserve	2	10 000 000	5 000 000
Accumulated Surplus/(Deficit)		212 366 055	200 692 091
Non-Current Liabilities		84 521 442	83 850 225
Long-term Liabilities	3	35 771 973	36 547 425
Employee Benefits	4	31 323 382	30 176 060
Non-Current Provisions	5	17 426 087	17 126 741
Current Liabilities		42 997 641	51 199 189
Consumer Deposits	6	1 374 791	1 409 966
Current Employee benefits	7	6 870 210	6 051 467
Provisions	8	15 147 776	11 861 551
Payables from exchange transactions	9	12 652 455	22 212 662
Unspent Conditional Government Grants and Receipts	10	3 899 258	6 979 932
Current Portion of Long-term Liabilities	3	3 053 150	2 683 610
Total Net Assets and Liabilities		353 538 826	344 365 874
ASSETS			
Non-Current Assets		284 513 452	277 885 505
Property, Plant and Equipment	13	254 235 814	243 904 021
Investment Property	14	21 961 251	23 332 315
Intangible Assets	15	466 385	470 465
Heritage Assets	16	2 323 964	2 323 964
Capitalised Restoration Costs	17	5 526 037	7 854 741
Long-Term Receivables	18	-	-
Current Assets		69 025 374	66 480 369
Inventory	19	10 758 980	12 157 089
Receivables from exchange transactions	20	8 019 780	7 135 931
Receivables from non-exchange transactions	21	12 259 577	8 739 863
Operating Lease Asset	22	44 384	36 132
Unpaid Conditional Government Grants and Receipts	10	-	-
Taxes	12	1 509 018	1 745 765
Current Portion of Long-term Receivables	18	-	-
Cash and Cash Equivalents	23	36 433 634	36 665 590
Total Assets		353 538 826	344 365 874

SWELLENHAM LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		118 148 225	130 796 132
Taxation Revenue		29 286 470	26 409 281
Property taxes	24	29 286 470	26 409 281
Transfer Revenue		60 642 521	83 316 243
Government Grants and Subsidies - Capital	25	15 637 906	21 755 829
Government Grants and Subsidies - Operating	25	45 004 615	61 560 414
Other Revenue		28 219 235	21 070 608
Actuarial Gains	4	2 120 324	1 414 797
Fines		26 098 911	19 655 811
Revenue from Exchange Transactions		105 774 396	93 667 010
Service Charges	26	90 488 103	81 727 579
Rental of Facilities and Equipment		1 402 828	1 228 500
Interest Earned - external investments		2 684 828	1 540 411
Interest Earned - outstanding debtors		1 913 804	1 090 525
Licences and Permits		874 758	1 235 429
Agency Services		1 522 810	1 296 686
Other Income	27	2 284 740	2 194 028
Reversal of impairments	32	93 368	273 715
Debt Impairment reversal	30	2 634 323	2 749 048
Contributed Assets		58 000	-
Stock Adjustments		-	71 699
Gain on disposal of Property, Plant and Equipment		1 816 837	259 389
Total Revenue		223 922 622	224 463 143
EXPENDITURE			
Employee related costs	28	64 636 693	61 587 651
Remuneration of Councillors	29	3 654 804	3 398 789
Debt Impairment	30	16 714 934	11 529 617
Depreciation and Amortisation	31	10 529 848	10 394 418
Impairments/Write-offs	32	22 860	714 483
Repairs and Maintenance		10 960 481	11 993 163
Actuarial losses	4	67 553	217 434
Finance Charges	33	10 533 486	12 538 818
Bulk Purchases	34	46 133 748	40 390 577
Grants and Subsidies	35	1 443 000	1 390 000
Stock Adjustments		327 681	-
General Expenses	36	42 173 297	58 228 056
Loss on disposal of Inventory		-	307 500
Loss on disposal of Property, Plant and Equipment		30 954	-
Total Expenditure		207 219 340	212 690 506
NET SURPLUS/(DEFICIT) FOR THE YEAR		16 703 282	11 772 636

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2014	3 947 333		196 041 209	199 988 542
Change in accounting policy		-	-	-
Correction of error		-	(2 158 496)	(2 158 496)
Restated Balance at 1 JULY 2014	3 947 333	-	193 882 713	197 830 046
Net Surplus for the year		-	11 772 636	11 772 636
Housing Loans written off	(286 222)			(286 222)
Transfer to housing	(36 742)		36 742	-
Transfer to Capital Replacement Fund		5 000 000	(5 000 000)	-
Balance at 30 JUNE 2015	3 624 369	5 000 000	200 692 092	209 316 460
Net Surplus for the year	-	-	16 703 282	16 703 282
Transfer from housing	29 318		(29 318)	-
Housing Loans written off				-
Transfer from Capital Replacement Fund (Capital expenditure)		(1 728 544)	1 728 544	
Transfer to Capital Replacement Fund		6 728 544	(6 728 544)	-
Balance at 30 JUNE 2016	3 653 688	10 000 000	212 366 055	226 019 742

SWELLEN DAM LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	30 JUNE 2016 R	30 JUNE 2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		143 748 621	129 517 730
Government		57 561 848	92 937 849
Interest		4 598 632	2 630 936
Payments			
Suppliers and employees		(180 280 079)	(160 481 055)
Finance charges	33	(10 533 486)	(12 538 818)
Transfers and Grants		(1 443 000)	(1 390 000)
Cash generated by operations	38	13 652 536	50 676 642
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(17 619 761)	(21 410 408)
Proceeds on Disposal of Fixed Assets		4 241 023	941 588
Purchase of Intangible Assets		(64 667)	(361 659)
Decrease in Long-term Receivables	18		
Net Cash from Investing Activities		(13 443 405)	(20 830 479)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(2 651 831)	(2 109 804)
New loans raised		2 245 920	6 861 942
Increase in Consumer Deposits		(35 175)	140 670
Net Cash from Financing Activities		(441 086)	4 892 808
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		(231 956)	34 738 972
Cash and Cash Equivalents at the beginning of the year		36 665 590	1 926 617
Cash and Cash Equivalents at the end of the year	39	36 433 634	36 665 590
NET INCREASE IN CASH AND CASH EQUIVALENTS		(231 956)	34 738 972

SWELLEDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances (Amounts over/above R2.1 million)
ASSETS				
Current assets				
Cash	36 433 634	33 748 000	2 685 634	Improved credit and budget control
Consumer debtors	20 279 357	10 018 000	10 261 357	Correction of traffic fines in terms of i Grip 1
Other Receivables	1 553 402	9 000 000	(7 446 598)	Incorrect budget provision for i Grip 1 (Traffic Fines)
Current portion of long-term receivables	-	78 000	(78 000)	
Inventory	10 758 980	11 934 000	(1 175 020)	
Total current assets	68 025 374	64 778 000	4 247 374	
Non current assets				
Long-term receivables	-	167 000	(167 000)	
Investment property	21 981 251	19 897 000	2 264 251	Due to retrospective correction of error and first time recognition of investment properties
Property, plant and equipment	259 761 852	238 255 000	21 506 852	Due to formula used to determine budgeted amount
Intangible Assets	466 385	295 000	171 385	
Heritage Assets	2 323 964	2 246 000	77 964	
Total non current assets	284 513 452	280 860 000	23 853 452	
TOTAL ASSETS	353 538 826	325 437 000	28 100 826	
LIABILITIES				
Current liabilities				
Borrowing	3 053 150	2 249 000	804 150	
Consumer deposits	1 374 791	1 451 000	(76 209)	
Trade and other payables	16 551 713	23 578 000	(7 026 287)	Due to formula used to determine budgeted amount
Provisions and Employee Benefits	22 017 987	3 000 000	19 017 987	Due to budget error which has excluded employee benefits and short term portion of non current provisions
Total current liabilities	42 997 641	30 278 000	12 719 641	
Non current liabilities				
Borrowing	35 771 973	32 594 000	3 177 973	Due to budget error which has excluded lease of vehicles
Provisions and Employee Benefits	48 749 489	31 435 000	17 314 489	Due to the same reason as already explained above with current provisions
Total non current liabilities	84 521 442	64 030 000	20 492 442	
TOTAL LIABILITIES	127 519 083	94 308 000	33 212 083	
NET ASSETS	226 019 743	231 129 000	(5 111 257)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	212 366 055	227 329 000	(14 962 945)	Due to correction of provision for rehabilitation of dumping site and first time recognition of investment properties
Reserves	13 653 687	3 800 000	9 853 687	Due to improved cash flow - A contribution towards the Capital Replacement Reserve
TOTAL COMMUNITY WEALTH/EQUITY	226 019 743	231 129 000	(5 109 257)	

SWELLENHAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R	2016 R	2016 R
	(Approved Budget)	(Adjustments)	(Final Budget)
ASSETS			
Current assets			
Cash	476 000	32 371 000	32 847 000
Call investment deposits	900 000	-	900 000
Consumer debtors	10 018 000	-	10 018 000
Other Receivables	9 000 000	-	9 000 000
Current portion of long-term receivables	78 000	-	78 000
Inventory	11 934 000	-	11 934 000
Total current assets	32 406 000	32 371 000	64 778 000
Non current assets			
Long-term receivables	167 000	-	167 000
Investment property	19 697 000	-	19 697 000
Property, plant and equipment	238 488 000	(233 000)	238 255 000
Intangible Assets	295 000	-	295 000
Heritage Assets	2 246 000	-	2 246 000
Total non current assets	260 893 000	(233 000)	260 660 000
TOTAL ASSETS	293 299 000	32 138 000	325 437 000
LIABILITIES			
Current liabilities			
Bank overdraft	-	-	-
Borrowing	2 249 000	-	2 249 000
Consumer deposits	1 451 000	-	1 451 000
Trade and other payables	23 812 000	(234 000)	23 578 000
Provisions and Employee Benefits	3 000 000	-	3 000 000
Total current liabilities	30 512 000	(234 000)	30 278 000
Non current liabilities			
Borrowing	32 595 000	(1 000)	32 594 000
Provisions and Employee Benefits	31 435 000	-	31 435 000
Total non current liabilities	64 030 000	(1 000)	64 030 000
TOTAL LIABILITIES	94 542 000	(235 000)	94 308 000
NET ASSETS	198 758 000	32 373 000	231 129 000
COMMUNITY WEALTH			
Accumulated Surplus/(Deficit)	194 958 000	32 371 000	227 329 000
Reserves	3 800 000	-	3 800 000
TOTAL COMMUNITY WEALTH/EQUITY	198 758 000	32 371 000	231 129 000

SWELLENHAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material adjustments (Amounts above R2.1 million)
REVENUE BY SOURCE				
Property rates	29 286 470	29 216 000	70 470	
Service charges	90 488 103	89 494 000	994 103	
Rental of facilities and equipment	1 402 826	1 193 000	209 826	
Interest earned – external investments	2 684 828	1 900 000	784 828	
Interest earned – outstanding debtors	1 913 804	1 900 000	13 804	
Actuarial Gains	2 120 324		2 120 324	Actuarial gain on annual post employee medical aid
Fines	26 098 911	24 514 000	1 584 911	
Licences and permits	874 758		874 758	
Agency services	1 522 810	2 310 000	(787 190)	
Government Grants and Subsidies - Operating	45 004 615	50 696 000	(5 691 385)	
Other revenue	2 436 108	1 733 000	703 108	Decrease in Provision for bad debt recognised as revenue
Gains on disposal of PPE	1 816 837	4 300 000	(2 483 163)	Loss on disposal of properties
Total Operating Revenue	205 650 393	207 256 000	(1 605 607)	
EXPENDITURE BY TYPE				
Employee related costs	84 636 693	69 031 000	(4 394 307)	Saving on vacancies not filled
Remuneration of councillors	3 654 804	3 773 000	(118 196)	
Debt impairment	16 714 934	19 826 000	(3 111 066)	Budget for impairment on traffic fines in terms of GRAP 1 overstated and improvement in debt collection
Depreciation & asset impairment	10 552 708	9 253 000	1 299 708	
Finance charges	10 533 486	6 035 000	4 498 486	Increase in Post Employment Benefits and provision for landfill sites
Actuarial losses	57 553		57 553	
Bulk purchases	46 133 748	46 241 000	(107 252)	
Grants and subsidies paid	1 443 000	1 454 000	(11 000)	
Other expenditure	53 461 460	61 541 000	(8 079 540)	Savings in spending of repairs and maintenance and general expenditure
Loss on disposal of PPE	30 954	-	30 954	
Total Operating Expenditure	207 219 340	217 153 000	(9 934 660)	
Operating Deficit for the year	(1 568 947)	(9 898 000)	8 329 053	
Government Grants and Subsidies - Capital	15 637 906	14 843 000	794 906	
Net Surplus for the year	14 068 959	4 946 000	9 123 959	

SWELLEDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
REVENUE BY SOURCE			
Property rates	29 025 000	191 000	29 216 000
Property rates - penalties & collection charges	-	-	-
Service charges	90 876 000	(1 382 000)	89 494 000
Rental of facilities and equipment	1 128 000	65 000	1 193 000
Interest earned - external investments	1 150 000	750 000	1 900 000
Interest earned - outstanding debtors	1 950 000	(50 000)	1 900 000
Fines	14 514 000	10 000 000	24 514 000
Agency services	2 682 000	(372 000)	2 310 000
Government Grants and Subsidies - Operating	55 521 000	(4 825 000)	50 696 000
Other revenue	1 219 000	514 000	1 733 000
Gains on disposal of PPE	5 000 000	(700 000)	4 300 000
Total Operating Revenue	203 065 000	4 192 000	207 256 000
EXPENDITURE BY TYPE			
Employee related costs	70 384 000	(1 353 000)	69 031 000
Remuneration of councillors	3 773 000	-	3 773 000
Debt impairment	11 826 000	8 000 000	19 826 000
Depreciation & asset impairment	8 869 000	384 000	9 253 000
Finance charges	5 735 000	300 000	6 035 000
Bulk purchases	46 641 000	(400 000)	46 241 000
Grants and subsidies paid	1 454 000	-	1 454 000
Other expenditure	65 353 000	(3 812 000)	61 541 000
Loss on disposal of PPE	-	-	-
Total Operating Expenditure	214 035 000	3 118 000	217 153 000
Operating Surplus/(Deficit) for the year	(10 970 000)	1 073 000	(9 897 000)
Government Grants and Subsidies - Capital	16 702 000	-1 859 000	14 843 000
Net Surplus/(Deficit) for the year	5 732 000	(785 000)	4 946 000

SWELLEDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances over/above R2.1 million
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	143 748 621	128 066 000	15 682 621	Increase in recovery of receivables and VAT receivable
Government - operating	41 923 942	50 996 000	(8 772 058)	A decrease in Provincial allocations made to the municipality
Government - capital	15 637 906	14 843 000	794 906	
Interest	4 598 632	3 800 000	798 632	
Payments				
Suppliers and Employees	(180 280 079)	(177 776 000)	(2 504 079)	
Finance charges	(10 533 486)	(4 800 000)	(5 733 486)	
Transfers and Grants	(1 443 000)	(1 454 000)	11 000	
NET CASH FROM/(USED) OPERATING ACTIVITIES	13 652 536	13 395 000	257 536	Increase in Post Employment Benefits and provision for landfill sites
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	4 241 023	4 300 000	(58 977)	
Decrease/(increase) in non-current receivables	-	-	-	
Payments				
Capital assets	(17 684 428)	(19 348 000)	1 663 572	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(13 443 405)	(15 048 000)	1 604 595	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	2 245 920	82 000	2 245 920	Lease of vehicles
Increase/(decrease) in consumer deposits	(35 175)	-	(117 175)	
Payments				
Repayment of borrowing	(2 651 831)	(2 249 000)	(402 831)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(441 086)	(2 167 000)	1 725 914	
NET INCREASE/(DECREASE) IN CASH HELD	(231 956)	(3 820 000)	3 588 044	
Cash and Cash Equivalents at the beginning of the year	36 665 590	36 666 000	(410)	
Cash and Cash Equivalents at the end of the year	36 433 634	32 847 000	3 586 634	

SWELLEDAM LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	129 245 000	(1 159 000)	128 086 000
Government – operating	55 521 000	(4 825 000)	50 696 000
Government – capital	16 702 000	(1 859 000)	14 843 000
Interest	3 081 000	719 000	3 800 000
Payments			
Suppliers and Employees	(184 529 000)	6 753 000	(177 776 000)
Finance charges	(4 500 000)	(300 000)	(4 800 000)
Transfers and Grants	(1 454 000)	-	(1 454 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	14 086 000	-671 000	13 395 000
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of Assets	5 000 000	(700 000)	4 300 000
Decrease/(increase) in non-current receivables	-	-	-
Decrease/(increase) in non-current investments	-	-	-
Payments			
Capital assets	(17 797 000)	(1 551 000)	(19 348 000)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(12 797 000)	(2 251 000)	(15 048 000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Borrowing	82 000	-	82 000
Increase/(decrease) in consumer deposits	-	-	-
Payments			
Repayment of borrowing	(2 249 000)	-	(2 249 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2 167 000)	-	(2 167 000)
NET INCREASE/(DECREASE) IN CASH HELD	(898 000)	(2 922 000)	(3 820 000)
Cash and Cash Equivalents at the beginning of the year	1 374 000	35 292 000	36 666 000
Cash and Cash Equivalents at the end of the year	476 000	32 371 000	32 847 000

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	<p><u>Changes in Measurement Basis Following Initial Adoption of Standards of GRAP</u></p> <p>This Directive can be applied when a Municipality elects to change the measurement basis selected for certain assets on the initial adoption of Standards of GRAP</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement basis.</p>	
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	No such transactions or events are expected in the foreseeable future.	
IGRAP 17	<p><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset</u></p> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy	
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
GRAP 109	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.14.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.14.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these

plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.14.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.14.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.14.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14.7 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

1.15. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	<i>Years</i>		<i>Years</i>
<u>Infrastructure</u>		<u>Other</u>	
Roads	6 - 104	Air conditioners	4 - 11
Electricity	6 - 90	Chairs	6 - 20
Water	7 - 168	Computer Hardware	5 - 21
Waste Water	11 - 48	General Plant	5 - 25
		Generator	5 - 15
		Graders	10
<u>Community</u>		Lawn Mowers	6 - 20
Buildings	100	Mechanical horses	5 - 30
Land	0	Miscellaneous furniture	6 - 25
Other assets	10 - 30	Office Machines	5 - 30
		Radio equipment	5 - 20
Land and Buildings		security systems	5 - 15
Buildings	100	Tables/desks	5 - 20
Land	0	Telecommunication	12 - 15
Other assets	10 - 30	Tools	5 - 17
<u>Finance lease assets</u>			
Office equipment	3	Tractors	10 - 20
Other assets	5	Trucks/ "Bakkies"	5 - 33
		Vehicles	5 - 20

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used

in order to determine the deemed cost as on 1 July 2009. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

1.19 HERITAGE ASSETS

1.19.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.19.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to

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- dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing
- asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before
- impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in

net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

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1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

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1.23.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in

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exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

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of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

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1.26 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is

accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.31.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates

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and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.31.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.31.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service

requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.31.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.31.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.31.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.31.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.31.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.31.10 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

1.31.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.35. TAXATION

1.35.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.35.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.35.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2	NET ASSET RESERVES	2016 R	2015 R
	Housing Development Fund	3 653 687	3 624 369
	Capital Replacement Reserve	10 000 000	5 000 000
	Total Net Asset Reserves	13 653 687	8 624 369

3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	36 594 861	39 005 714
	Capitalised Lease Liability - At amortised cost	-	225 321
	Hire Purchases Liability	2 230 263	-
		38 825 124	39 231 034
	Current Portion transferred to Current Liabilities	3 053 150	2 683 610
		2 678 267	2 458 289
	Annuity Loans - At amortised cost	-	225 321
	Capitalised Lease Liability - At amortised cost	-	-
	Hire Purchases	374 883	-
		35 771 973	36 547 425
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	35 771 973	36 547 425

Annuity loans at amortised cost consist of 8 contracts with DBSA, calculated at interest rates ranging between 8.075% and 15.9%, with a maturity dates between 2017 and June 2030. The loans are unsecured.

A loan from ABSA. The principle amount is R 6 595 800 at a fix interest rate of 9%. Interest is capitalized monthly and the repayments is 6 monthly. The loan is unsecured.

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	6 570 588	6 610 797
Payable within two to five years	22 258 729	23 373 877
Payable after five years	37 759 392	43 830 135
	66 588 708	73 814 808
Less: Future finance obligations	(29 993 847)	(34 809 095)
Present value of annuity obligations	36 594 861	39 005 714

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	-	234 531
Payable within two to five years	-	-
Payable after five years	-	-
	-	234 531
Less: Future finance obligations	-	(9 210)
Present value of lease obligations	-	225 321

Leases are secured by property, plant and equipment - Note 13

A Hire Purchase agreement at amortised cost was entered with ABSA. The principle amount is R 2 320 262.95 at a fix interest rate of 8%. Interest is capitalized monthly and the repayments is 6 monthly .The loan is secured.

The obligations under hire purchases are scheduled below:

	Minimum annuity payments
Amounts payable under annuity loans:	
Payable within one year	586 175
Payable within two to five years	2 264 701
Payable after five years	-
	<u>2 830 876</u>
Less: Future finance obligations	(600 613)
Present value of Hire Purchase obligations	<u>2 230 263</u>

Hire purchases are secured by property plant and equipment

4

EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1
Long Service Awards - Refer to Note 4.2

Total Non-current Employee Benefit Liabilities

2016 R	2015 R
29 031 778	27 749 989
2 291 604	2 426 071
<u>31 323 382</u>	<u>30 176 060</u>

Post Retirement Benefits

Balance 1 July
Contribution for the year
Interest Cost
Expenditure for the year
Actuarial Gain

2016 R	2015 R
28 334 485	25 209 737
1 605 758	2 842 884
2 497 693	2 293 471
(624 742)	(596 810)
(2 120 324)	(1 414 797)

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

<u>29 692 870</u>	<u>28 334 485</u>
(661 092)	(584 496)
<u>29 031 778</u>	<u>27 749 989</u>

Long Service Awards

Balance 1 July
Contribution for the year
Interest Cost
Expenditure for the year
Actuarial Loss

2 614 746	2 245 822
219 337	170 640
197 700	169 377
(161 097)	(188 527)
57 553	217 434

Total long service 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

<u>2 928 239</u>	<u>2 614 746</u>
(636 636)	(188 675)
<u>2 291 604</u>	<u>2 426 071</u>

	2016	2015
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	30 949 231	27 455 559
Contribution for the year	1 825 095	3 013 524
Interest cost	2 695 393	2 462 848
Expenditure for the year	(785 839)	(785 338)
Actuarial Gain	(2 062 771)	(1 197 363)
Total employee benefits 30 June	32 621 109	30 949 231
Less: Transfer of Current Portion - Note 7	(1 297 727)	(773 171)
Balance 30 June	31 323 382	30 176 060

4 **EMPLOYEE BENEFITS (CONTINUE)**

4.1 **Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	174	157
In-service (employee) non-members	69	82
Continuation members (e.g. Retirees, widows, orphans)	18	17
Total Members	261	256

The liability in respect of past service has been estimated to be as follows:

In-service members	17 559 467	16 806 410
In-service non- members	3 324 146	3 614 443
Continuation members	8 809 257	7 913 632
Total Liability	29 692 870	28 334 485

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
	25 209 737	22 061 929	18 704 246
Total Liability	25 209 737	22 061 929	18 704 246

Experience adjustments were calculated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: loss/(profit)	-1,649	-1,794	-1,162

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Key health.
Hosmed
Samwu

	2016 %	2015 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9,11%	8,90%
Health Care Cost Inflation Rate	8,21%	8,11%
Net Effective Discount Rate	0,84%	0,74%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The amount recognised in the Statement of Financial Position is as follow:

	2016 R	2015 R
Present value of fund obligations	29 031 778	27 749 989
Total Liability	29 031 778	27 749 989

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	28 334 485	25 209 737
Total expenses	3 478 709	4 539 545
Current service cost	1 605 758	2 842 884
Interest Cost	2 497 893	2 293 471
Benefits Paid	(624 742)	(586 810)
Actuarial (gains)/losses	(2 120 324)	(1 414 797)
Present value of fund obligation at the end of the year	29 692 870	28 334 485
Less: Transfer of Current Portion - Note 7	(661 092)	(584 496)
Balance 30 June	29 031 778	27 749 989

Sensitivity Analysis on the Accrued Liability

Assumption	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Central Assumptions	20.884	8.809	29.693	

The effect of movements in the assumptions are as follows:

Assumption	Change	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Health care inflation	1%	25.481	9.672	35.153	18%
Health care inflation	-1%	17.272	8.057	25.329	-15%
Post-retirement mortality	-1 year	21.578	9.176	30.754	4%
Discount Rate	1%	17.326	8.089	25.395	(0)
Discount Rate	-1%	25.487	9.674	35.161	0
Average retirement age	-1 year	22.690	8.809	31.499	6%
Continuation of membership at retirement	-10%	17.345	8.809	26.154	-12%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		1 605 800	2 497 700	4 103 500	
Health care inflation	1%	2 020 100	2 961 300	4 981 400	21%
Health care inflation	-1%	1 288 700	2 127 200	3 415 900	-17%
Post-retirement mortality	-1 year	1 658 300	2 588 300	4 246 600	3%
Discount Rate	1%	1 305 100	2 372 100	3 677 200	-10%
Discount Rate	-1%	2 002 500	2 629 700	4 632 200	13%
Average retirement age	-1 year	1 578 500	2 602 400	4 180 900	2%
Continuation of membership at retirement	-10%	1 368 200	2 177 800	3 546 000	-14%

	2016	2015
4.2 Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans.		
As at year end, the following number of employees were eligible for Long Service Bonuses.	243	239
Key actuarial assumptions used:	2016 %	2015 %
i) Rate of interest		

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Discount rate	8.47%	7.84%
General Salary Inflation (long-term)	7.13%	7.04%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.75%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

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	2016 R	2015 R	
The amount recognised in the Statement of Financial Position is as follow:			
Present value of fund obligations	2 291 604	2 426 071	
Net liability	2 291 604	2 426 071	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2014 R	2013 R	2012 R
Total Liability	2 245 822	2 225 611	1 636 016
Experience adjustments were calculated as follows:			
	2016	2015	2014
Liabilities: (Gain) / loss	181 212	278 768	-120.932
Reconciliation of present value of fund obligation:			
	2016	2015	
Present value of fund obligation at the beginning of the year	2 614 746	2 245 822	
Total expenses	255 940	151 490	
Current service cost	219 337	170 640	
Interest Cost	197 700	169 377	
Benefits Paid	(161 097)	(188 527)	
Actuarial (gains)/losses	57 553	217 434	
Present value of fund obligation at the end of the year	2 928 239	2 614 746	
Less: Transfer of Current Portion - Note 7	(836 635)	(188 675)	
Balance 30 June	2 291 604	2 426 071	

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.928	
General salary inflation	1%	3.097	6%
General salary inflation	-1%	2.774	-5%
Discount Rate	1%	2.764	-6%
Discount Rate	-1%	3.111	6%
Average retirement age	-2 yrs	2.355	-20%
Average retirement age	2 yrs	3.349	14%
Withdrawal rates	-50%	3.382	15%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.6%).

	2016 R	2015 R
Contributions paid recognised in the Statement of Financial Performance	4 677 534	4 096 637

DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund which is a defined contribution fund. The retirement

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SAMWU National Provident Fund	1 759 278	1 792 309
	<u>1 759 278</u>	<u>1 792 309</u>

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	<u>17 426 087</u>	<u>17 126 741</u>
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Landfill Sites

Balance 1 July	28 988 292	12 786 136
Unwinding of discounted interest	3 585 571	6 029 285
Additions		10 172 870
Total provision 30 June	32 573 864	28 988 292
Less: Transfer of Current Portion to Current Provisions - Refer to note 8	(15 147 776)	(11 861 551)
Balance 30 June	<u>17 426 087</u>	<u>17 126 741</u>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Malagas</u>	<u>Swellendam</u>	<u>Infanta</u>	<u>Suurbraak</u>	<u>Barrydale</u>
Rehabilitation area (m ²)	15 772	32918	3269	3 275	9 451
Preliminary and General	642 926	1 436 930	158 690	189 909	504 511
Site Clearance and Preparation	38 513	80 380	7 982	7 997	23 078
Stormwater Control Measures	942 181	1 241 988	398 450	407 415	1 025 517
Capping	2 510 124	8 195 088	520 803	525 551	1 583 515
Gas Management	0	70 000			
Leachate Management	382 304	665 852	181 499	144 718	386 280
Fencing	719 210	10 480	10 480	270 810	585 260
Other	347 560	702 099	708 341	754 068	389 364
Contingencies	523 526	1 170 072	127 590	154 640	410 816
Engineering Professional Fees	431 909	965 309	105 262	127 578	338 923
Site Supervision	335 268	457 362	213 430	198 682	245 626

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2016</u>	<u>Cost of rehabilitation 2015</u>
Malagas	2013	6 873 520	6 303 682
Swellendam	2019	14 995 560	14 979 875
Infanta	2041	2 430 527	2 146 866
Suurbraak	2013	2 781 367	1 974 596
Barrydale	2013	5 492 889	3 583 273
		<u>32 573 863</u>	<u>28 988 292</u>

6 CONSUMER DEPOSITS

Water & Electricity	1 374 791	1 409 966
Total Consumer Deposits	1 374 791	1 409 966
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	661 092	584 496
Current Portion of Long-Service Provisions - Note 4	636 635	188 675
Provision for Staff Leave	3 452 425	3 233 610
Staff Bonuses accrued	1 520 058	1 342 433
Provision for Performance Bonuses	600 000	702 254
Total Current Employee Benefits	6 870 211	6 051 467

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	3 233 610	3 160 631
Contribution to current portion	(218 221)	270 936
Expenditure incurred	437 036	(197 957)
Balance at end of year	3 452 425	3 233 610

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff Bonuses accrued

Balance at beginning of year	1 342 433	1 024 965
Contribution to current portion	2 897 055	2 658 647
Expenditure incurred	(2 719 429)	(2 341 179)
Balance at end of year	1 520 058	1 342 433

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent a portion of the bonus that has already vested for the current salary cycle. There is no possibility of reimbursement.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Pension fund shortages

Balance at beginning of year	-	362 232
Contribution to current portion	-	
Written off	-	(362 232)
Balance at end of year	-	(0)

It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

Performance Bonuses

Balance at beginning of year	702 254	521 700
Contribution to current portion	410 208	564 872
Expenditure incurred	(512 462)	(384 318)
Balance at end of year	600 000	702 254

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 5	15 147 776	11 861 551
Total Provisions	15 147 776	11 861 551

9 PAYABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Trade Payables	7 738 425	17 736 538
Accrued interest	713 007	669 114
Pre-Paid Electricity	494 773	300 410
Retentions and Guarantees	1 722 216	1 680 908
Other: Deposits	372 956	235 019
Debtors paid in advance	1 474 482	1 366 432
Other payables	136 597	224 242
Total Trade Payables	12 652 455	22 212 662

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants

National Government Grants
Provincial Government Grants
Other Grant Providers

3 899 257 6 979 931

318 473	115 000
3 239 814	6 773 960
340 971	90 971

Less: Unpaid Grants

National Government Grants
Provincial Government Grants
Other Grant Providers

-	-
-	-
-	-

Total Conditional Grants and Receipts

3 899 258 6 979 931

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 UNSPENT PUBLIC CONTRIBUTIONS

Description of unspent contribution
Description of unspent contribution
Total Unspent Public Contributions

-	-
-	-
-	-

12 TAXES

12.1 VAT PAYABLE

VAT in suspense
VAT output in suspense
Total Vat payable

-	-
-	-
-	-

12.2 VAT RECEIVABLE

VAT in suspense
Total VAT receivable

1 509 018	1 745 765
1 509 018	1 745 765

12.3 NET VAT RECEIVABLE/(PAYABLE)

1 509 018	1 745 765
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VAT is receivable/payable on the cash basis.

13 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

SWELLENHAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13 Property, Plant and Equipment
30 JUNE 2016

	Cost		Accumulated Depreciation				Carrying value	
	Opening Balance R	Closing Balance R	Disposals/Write off R	Transfer to other assets R	Depreciation Charge R	Transfer to other assets R	Opening Balance R	Closing Balance R
Land and Buildings								
Land	27 432 169	27 432 169	(437 530)	28 794 610	57 165	(57 180)	535 534	8 755 272
Buildings	5 215 268	5 215 268	(701 531)	4 725 737	45 251	(51 180)	341 159	4 268 365
Other	3 523 135	3 523 135	-	3 523 135	45 033	-	182 730	3 605 865
Infrastructure								
Buildings	22 322 095	22 322 095	(1 138 583)	23 793 678	6 644 887	(10)	9 201 391	29 744 066
Other	1 855 819	1 855 819	-	1 855 819	1 129 845	-	9 187 621	2 985 664
Other	11 354 940	11 354 940	(11 977 326)	12 332 616	1 025 678	-	18 963 989	28 472 733
Other	49 594 725	49 594 725	(4 622 271)	54 216 996	2 424 891	-	18 963 989	63 198 716
Purification works	12 955 259	12 955 259	-	12 955 259	2 015 877	-	4 411 707	17 371 136
Reservoirs & tanks	8 676 012	8 676 012	(5 987 647)	2 688 365	3 448 626	-	1 031 626	10 293 251
Water supply	2 835 253	2 835 253	(1 613 614)	1 221 639	1 442 844	-	5 712 900	9 073 866
Sanitation	21 569 891	21 569 891	(810 961)	22 380 852	342 565	-	5 234	22 693 417
Subsidiary equipment	234 646	234 646	-	234 646	50 749	-	562 255	292 395
Traffic lights	514 275	514 275	-	514 275	119 186	-	-	633 461
Work in progress	3 363 165	3 363 165	-	3 363 165	0	-	-	3 363 165
Community Assets								
Community centres	18 436 941	18 436 941	-	18 436 941	719 402	-	861 181	19 206 123
Community centres	130 320	130 320	-	130 320	1 133	-	1 133	131 453
Community centres	327 074	327 074	-	327 074	18 822	-	25 691	352 765
Community centres	4 163 547	4 163 547	-	4 163 547	281 947	-	302 204	4 465 751
Community centres	1 231 320	1 231 320	-	1 231 320	10 119	-	3 900	1 241 439
Community centres	2 043 300	2 043 300	-	2 043 300	60 517	-	104 441	2 147 741
Community centres	2 116 000	2 116 000	-	2 116 000	67 412	-	77 089	2 193 089
Community centres	2 835 253	2 835 253	-	2 835 253	1 133	-	9 130	2 844 383
Community centres	138 660	138 660	-	138 660	7 291	-	1 530	146 451
Community centres	160 070	160 070	-	160 070	32 078	-	40 058	199 128
Lease Assets								
Lease Assets	741 395	741 395	(64 390)	697 005	63 849	(64 390)	596 503	636 503
Office Equipment								
Office Equipment	741 395	741 395	(64 390)	697 005	63 849	(64 390)	596 503	636 503
Other Assets								
Other Assets	28 997 335	28 997 335	(66 432)	29 063 767	1 022 194	(10)	12 298 205	30 291 961
Air conditioners	575 168	575 168	-	575 168	267 009	-	311 059	886 177
Cabinets/shelving	1 825 246	1 825 246	-	1 825 246	224 959	-	224 959	2 050 205
Computer hardware	3 053 175	3 053 175	(4 734)	3 057 909	1 571 750	-	1 853 851	4 911 759
General plant	714 890	714 890	-	714 890	67 440	-	646 551	781 441
Generators	1 135 060	1 135 060	-	1 135 060	472 838	-	586 180	1 711 248
Lawnmowers	384 850	384 850	(4 158)	390 008	105 000	(2 239)	158 123	548 131
Mechanical houses	1 247 577	1 247 577	-	1 247 577	855 350	-	592 110	1 842 727
Mechanical houses	1 547 854	1 547 854	(630)	1 547 224	739 290	-	592 110	2 139 414
Office machines	347 854	347 854	-	347 854	274 503	-	298 827	646 681
Radio equipment	175 450	175 450	-	175 450	132 238	-	146 464	321 914
Search equipment	919 835	919 835	-	919 835	3 145	-	3 145	922 980
Telecommunication equipment	146 223	146 223	(864)	147 087	287 646	-	340 373	487 461
Tools	200 119	200 119	-	200 119	10 317	-	137 836	237 955
Trucks	231 143	231 143	-	231 143	550 323	-	681 469	812 612
Trucks	6 741 023	6 741 023	(46 897)	6 787 920	73 388	-	717 662	7 505 582
Trucks	951 006	951 006	-	951 006	3 058 505	-	3 748 523	12 700 531
Trucks	915 724 431	915 724 431	(1 552 215)	917 276 646	8 009 225	(10)	76 894 847	924 171 491

SWELDENHAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2015

	Cost				Accumulated Depreciation				Accumulated Impairment				Carrying value	
	Opening Balance R	Corrections of errors	Restated Opening Balances	Additions	Transfer to other assets	Disposals/write offs	Closing Balance R	Opening Balance R	Corrections of errors	Restated Opening Balances	Disposals/write offs	Closing Balance R	Total Opening Balance R	Total Closing Balance R
Land and Buildings														
Land	37 892 068	78 884	37 970 952	233 082	(561 000)	(1 074 190)	38 584 633	488 874	(83 726)	489 791	109 735	(7 765)	490 761	27 791 779
Buildings	37 892 068	236 191	38 128 259	27 865 503	(63 820)	(599 420)	54 133 613	5 413 896	(59 486)	5 354 410	60 300	(50 360)	5 404 350	18 307 363
Buildings under construction	6 920 826	(1 061 195)	5 859 631	209 815	(63 820)	(714 764)	5 230 587	5 230 587		5 230 587			5 230 587	4 859 171
Infrastructure	230 846	(50 102)	180 744	3 261 949	(48 273)	(487 088)	3 855 130	104 228	(7 765)	106 463	44 416	(7 765)	108 114	359 360
Brigade, subways & culverts	222 445 797	(1 029 786)	221 416 011	19 568 938	(48 273)	(487 088)	240 426 883	43 308 336	(5 248)	43 313 584	354 813	(7 765)	43 668 632	181 269 194
Other	11 320 500	11 320 500	11 320 500	11 320 500			22 641 000	11 320 500		11 320 500			11 320 500	21 192 481
Other	1 038 819	(70 603)	968 216	1 038 819			1 907 835	968 216		968 216			968 216	14 007 481
Other	11 374 238	(19 259)	11 354 979	11 354 979			22 709 958	11 354 979		11 354 979			11 354 979	19 729 729
Other	3 536 135	3 536 135	3 536 135	3 536 135			7 072 270	3 536 135		3 536 135			3 536 135	33 040 957
Purification works	2 960 056	2 960 056	2 960 056	2 960 056			5 920 112	2 960 056		2 960 056			2 960 056	1 297 457
Reservoirs & tanks	8 579 072	8 579 072	8 579 072	8 579 072			17 158 144	8 579 072		8 579 072			8 579 072	1 318 022
Water supply	19 312 413	(17 527)	19 294 886	118 864	(2 683 000)		16 720 750	19 294 886		19 294 886			19 294 886	72 477 540
Water supply customer	284 846		284 846				284 846			284 846			284 846	16 005 075
Water supply	78 914 276	(220 346)	78 693 930	2 238 716	(77 741 403)		3 862 185	78 693 930		78 693 930			78 693 930	3 962 185
Water supply	14 822 581	1 295 951	16 118 532	569 248			17 987 731	16 118 532		16 118 532			16 118 532	14 805 788
Community Assets	133 000		133 000				133 000			133 000			133 000	1 243
Community Assets	1 330 000		1 330 000				1 330 000			1 330 000			1 330 000	19 822
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	307 250
Community Assets	1 330 000		1 330 000				1 330 000			1 330 000			1 330 000	1 070 139
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
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Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	3 145 270
Community Assets	2 550 169	1 438 871	3 989 040	204 487			4 193 517	3 989 040		3 989 040			3 989 040	1 884 472
Community Assets														

13

Assets pledged as security:

All the assets obtained by financial leases are pledged as security.
Carrying value of these assets :

2016	2015
130 502	214 071

Third party payments received for losses incurred:

Payments received (Excluding VAT)
Carrying value of assets written off/lost
Deficit

-	-
30 419	118 688
30 419	118 688

Effect of changes in accounting estimates

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.

The effect on the current and future periods are as follow :

	2016 R	2017 R	2018 R
Decrease in Accumulated Depreciation: Property, plant and equipment	-1 152 954	-500 140	-226 684
Other Assets	-743 502	-366 152	-100 451
Leased Assets	-129 986	-68 870	-61 116
Infrastructure Assets	-279 465	-65 117	-65 117

Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Infrastructure	-	-
Land and Buildings	20 000	242 106
Community Assets	2 860	-
	22 860	242 106

14	INVESTMENT PROPERTY	2016 R	2015 R
	Net Carrying amount at 1 July	23 332 316	23 305 991
	Cost	30 862 780	30 320 280
	Accumulated Depreciation	(235 494)	(190 318)
	Accumulated Impairment	(7 294 971)	(6 823 972)
	Acquisitions	-	-
	Disposals	(1 339 734)	(18 500)
	Depreciation for the year	(31 330)	(45 176)
	Impairment	-	(471 000)
	Transfers from Land and Buildings	-	561 000
	Net Carrying amount at 30 June	21 961 251	23 332 315
	Cost	29 386 902	30 862 780
	Accumulated Depreciation	(225 180)	(235 494)
	Accumulated Impairment	(7 200 471)	(7 294 971)
	Impairment charges on Investment Properties recognised in statement of financial performance	-	471 000
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	378 688	322 477
	Operating expenditure incurred on properties generating revenue	189 305	173 770

15	INTANGIBLE ASSETS	2016 R	2015 R
	Computer Software		
	Net Carrying amount at 1 July	470 465	143 142
	Cost	780 631	418 973
	Accumulated Amortisation	(310 167)	(275 831)
	Additions	64 667	361 659
	Amortisation	(68 211)	(34 335)
	Impairments	-	-
	Disposals	(535)	-
	Net Carrying amount at 30 June	466 385	470 465
	Cost	843 313	780 631
	Accumulated Amortisation	(376 928)	(310 167)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	2016 R	2015 R
Microsoft Office and Windows software	5-10 years	466 385	470 465

No intangible asset assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

16	HERITAGE ASSETS	2016 R	2015 R
	Net Carrying amount at 1 July	2 323 963	2 323 963

Acquisitions
Disposals
Impairments
Reversal of Impairment losses
Transfers to Investment Properties

Net Carrying amount at 30 June

Cost
Accumulated Impairment

2 323 963	2 323 963
2 489 854	2 489 854
(165 891)	(165 891)

There are no restrictions on the realis ability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

17 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July

Additions
Depreciation
Impairment

Net Carrying amount at 30 June

Cost
Accumulated Depreciation..
Accumulated Impairments..

7 854 741	343 254
	10 172 870
(2 422 071)	(2 912 435)
93 368	251 051
5 526 037	7 854 741
15 799 641	15 799 641
(9 833 860)	(7 411 789)
(439 745)	(533 112)

Refuse tip-sites financed by way of a provision - Refer to note 5

5 526 037	7 854 741
------------------	------------------

18 LONG-TERM RECEIVABLES

Housing Loan Scheme
Written -off

Less: Current portion transferred to current receivables
Housing Loan Scheme

Less: Provision for Impairment

Total Long Term Receivables

The carrying amount of these assets approximates their fair value.

2016	2015
-	286 222
-	(286 222)
-	-
-	-
-	-
-	-
-	-

HOUSING LOAN SCHEME

The outstanding amount relates to prior years and is still collectable. Housing loans attract interest at average 7% per annum and which are repayable over a maximum period of 20 years. These loans have been written-off during the current reporting year.

19 INVENTORY

Consumable Stores - Stationery and materials - At cost
Water - at cost
Unsold Plots - At cost
Total Inventory

2 231 297	1 501 725
43 184	47 692
8 484 500	10 607 673
10 758 980	12 157 089

Consumable stores materials written down due to losses as identified during the annual stores counts.

	64 305
--	--------

Consumable stores materials surpluses identified during the annual stores counts.

-	-
---	---

Inventory recognised as an expense during the year

1 242 708

No inventory assets were pledged as security for liabilities.

20

RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	6 881 628	7 314 581
Water	5 291 844	5 194 441
Refuse	3 593 161	3 547 782
Sewerage	5 796 961	5 618 382
Rentals	253 967	277 649
Sundry Receivables	2 319 313	2 008 498
Total Receivables from Exchange Transactions	24 136 874	23 961 332
Less: Allowance for Doubtful Debts	(16 117 095)	(16 825 402)
Total Net Receivables from Exchange Transactions	8 019 779	7 135 930

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	4 119 947	3 452 048
31 - 60 Days	410 644	444 243
61 - 90 Days	68 148	137 162
+ 90 Days	2 282 889	3 281 128
Total	6 881 628	7 314 581

(Water): Ageing

Current (0 - 30 days)	1 129 274	952 169
31 - 60 Days	361 928	339 186
61 - 90 Days	143 099	194 346
+ 90 Days	3 657 544	3 706 740
Total	5 291 844	5 194 441

(Refuse): Ageing

Current (0 - 30 days)	642 136	568 236
31 - 60 Days	242 542	229 921
61 - 90 Days	96 810	106 363
+ 90 Days	2 611 673	2 643 262
Total	3 593 161	3 547 782

(Sewerage): Ageing

Current (0 - 30 days)	1 011 349	862 373
31 - 60 Days	389 583	368 153
61 - 90 Days	152 266	160 715
+ 90 Days	4 243 783	4 227 141
Total	5 796 961	5 618 382

(Rentals): Ageing

Current (0 - 30 days)	22 582	26 139
31 - 60 Days	9 440	22 525
61 - 90 Days	8 851	15 871
+ 90 Days	213 094	213 114
Total	253 967	277 649

(Sundry): Ageing

Current (0 - 30 days)	119 740	131 184
31 - 60 Days	51 693	68 290
61 - 90 Days	43 736	39 603
+ 90 Days	2 104 144	1 769 421
Total	2 319 313	2 008 498

(Total): Ageing

Current (0 - 30 days)	7 045 029	5 992 149
31 - 60 Days	1 485 809	1 472 317
61 - 90 Days	512 910	654 060
+ 90 Days	15 113 127	15 842 805
Total	24 136 874	23 961 332

Reconciliation of Provision for Bad Debts

Balance at beginning of year	16 825 402	16 078 604
Contribution to provision/(Reversal of provision)	221 402	746 798
Bad Debts Written Off	(929 709)	
Balance at end of year	16 117 095	16 825 402

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016 R	2015 R
Rates	9 824 467	11 909 510
Other Receivables	41 307 727	25 975 436
Suspense Debtors	41 307 727	25 975 436
Total Receivables from Non-Exchange Transactions	51 132 195	37 884 947
Less: Allowance for Doubtful Debts	(38 872 617)	(29 145 084)
Total Net Receivables from Non-Exchange Transactions	12 259 577	8 739 863

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Refer to note 18 for balances deferred beyond 12 months from year end.

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	1 872 641	1 906 014
31 - 60 Days	450 806	654 555
61 - 90 Days	172 675	216 642
+ 90 Days	7 328 346	9 132 300
Total	9 824 467	11 909 510

Reconciliation of Provision for Bad Debts

Balance at beginning of year	29 145 084	21 366 436
Contribution to provision/(Reversal of provision)	(1 781 899)	(2 394 114)
Contribution to provision	15 668 297	10 519 597
Bad Debts Written Off	(4 158 866)	(346 835)
Balance at end of year	38 872 617	29 145 084

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

22 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Asset)

Balance on 1 July	36 132	19 973
Movement during the year	8 252	16 159
Balance on 30 June	44 384	36 132

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	240 299	203 803
1 to 5 Years	279 023	499 388
More than 5 Years	60 611	80 544
Total Operating Lease Arrangements	579 933	783 735

This lease income was determined from contracts that have a specific conditional income. The leases are in respect of land and buildings being leased out for periods ranging until June 2031

The municipality does not engage in any sub-lease arrangements.
The municipality did not pay any contingent rent during the year

23 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits

Bank Accounts

Cash Floats

36 427 463 36 659 419

6 171 6 171

Total Cash and Cash Equivalents - Assets

36 433 634 36 665 590

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Bank overdraft facility of R2 500 000 exists at ABSA

The municipality has the following bank accounts:

SWELLEDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Current Accounts

Fist National Bank- Swellendam- Account number 53840005730
ABSA - Barrydale- Account Number 2390560039 (Primary Bank)

11 064 451	40 369 160
34 027 417	241 685

Current Accounts

Cash book balance at beginning of year
Cash book balance at end of year

36 659 419	1 922 667
36 427 463	36 659 419

Bank statement balance at beginning of year
Bank statement balance at end of year

40 610 845	14 800 984
45 091 868	40 610 845

24

PROPERTY TAXES

Actual

Rateable Land and Buildings

Rateable Land and Buildings

Less: Rebates

Total Assessment Rates

**2016
R** **2015
R**

32 326 611 29 501 614

32 326 611 29 501 614

3 040 141 3 092 334

29 286 470 **26 409 281**

Valuations - 1 JULY 2014 (Plus Interim Valuations)

Rateable Land and Buildings

Residential Properties - Sec 8(2)(a)

2 697 783 300 2 695 872 310

Industrial Properties - Sec 8(2)(b)

63 360 000 63 360 000

Business and Commercial Properties - Sec 8(2)(c)

402 032 700 401 716 600

Farm Agricultural Purposes - Sec 8(2)(d)(i)

2 501 354 573 2 510 957 823

Farm Commercial Purposes - Sec 8(2)(d)(ii)

70 926 000 70 926 000

Farm Residential Purposes - Sec 8(2)(d)(iii)

42 305 000 42 305 000

Farm Other Purposes - Sec 8(2)(d)(iv)

1 320 000 1 320 000

Farm Not use for any Purposes - Sec 8(2)(e)

18 485 000 18 485 000

Small Holdings Agricultural - Sec 8(2)(f)(i)

212 000 212 000

Small Holdings Residential Purposes - Sec 8(2)(f)(ii)

25 680 000 25 680 000

Small Holdings Business Purposes - Sec 8(2)(f)(iii)

1 520 000 1 520 000

State Owned - Sec 8(2)(g)

206 754 000 206 754 000

Municipal Owned - Sec 8(2)(h)

167 486 100 158 271 500

Public Service Infrastructure - Sec 8(2)(i)

1 641 200 1 641 200

National Monuments - Sec 8(2)(p)

13 470 000 13 470 000

Public Benefit Organisations - Sec 8(2)(q)

85 347 500 85 347 500

Total Assessment Rates

6 299 677 373 **6 297 838 933**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013.

Rates:

Residential

0.823c/R 0.7620c/R

Commercial

0.823c/R 0.7620c/R

Agricultural

0.206c/R 0.1905c/R

Rates are levied annually and monthly. Monthly rates are payable by the 28 th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

21 922 000 20 938 000

Equitable Share

21 922 000 20 938 000

Conditional Grants

38 720 621 62 378 243

Grants and donations

38 720 621 62 378 243

Total Government Grants and Subsidies

60 642 621 **83 316 243**

Government Grants and Subsidies - Capital

15 637 906 21 755 829

Government Grants and Subsidies - Operating

45 004 615 61 560 414

60 642 621 **83 316 243**

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

21 922 000 20 938 000

Corporate Services

327 935 643 106

Community Services

15 744 813 36 515 083

Engineers Service

19 286 981 21 882 034

Finance Service

2 598 149 2 901 000

Municipal Manager

762 642 437 020

60 642 621 **83 316 243**

The municipality does not expect any significant changes to the level of grants.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25.1 Equitable share

Opening balance	-	-
Grants received	21 922 000	20 938 000
Conditions met - Operating	(21 922 000)	(20 938 000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

25.2 Expanded Public Works Program (EPWP)

Opening balance	-	-
Grants received	1 215 000	1 305 000
Conditions met - Operating	(1 179 762)	(1 305 000)
Conditions met - Capital	-	-
Conditions still to be met	35 238	-

Job creation projects in previous disadvantage areas

25.3 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 600 000	1 600 000
Conditions met - Operating	(1 600 000)	(1 600 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

25.4 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	940 000	934 000
Conditions met - Operating	(248 381)	-
Conditions met - Capital	(434 822)	(934 000)
Conditions still to be met	256 797	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

25.5 Municipal Infrastructure Grant (MIG)

Opening balance	-	-
Grants received	11 684 000	11 399 000
Paid back to National Treasury	-	-
Conditions met - Operating	(584 200)	(569 950)
Conditions met - Capital	(11 073 362)	(10 829 050)
Grant expenditure to be recovered	26 438	-

The grant was used to upgrade infrastructure in previously disadvantaged areas.

25.6 Housing Grants

Opening balance	4 970 820	1 544 429
Grants received	7 087 801	36 730 322
Conditions met - Operating	(11 833 680)	(32 091 848)
Conditions met - Capital	-	(1 212 083)
Grant expenditure to be recovered	224 939	4 970 820

Housing grants was utilised for the development of erven and the erection of top structures.

SWELLENHAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

25.7 Other Grants

Opening balance	2 009 112	(4 186 103)
Grants received	13 113 047	20 031 527
Conditions met - Operating	(7 636 591)	(5 055 616)
Conditions met - Capital	(4 129 722)	(8 780 696)
Conditions still to be met	<u>3 355 846</u>	<u>2 009 112</u>

25.8 Total Grants

Opening balance	6 979 931	(2 641 674)
Grants received	57 561 848	92 937 849
Interest received on Investments	-	-
Grants paid back to National Treasury	-	-
Transfers	-	-
Conditions met - Operating	(45 004 614)	(61 560 413)
Conditions met - Capital	(15 637 906)	(21 755 829)
Conditions still to be met/(Grant expenditure to be recovered)	<u>3 899 258</u>	<u>6 979 931</u>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	3 899 258	6 979 932
Unpaid Conditional Government Grants and Receipts	-	-
	<u>3 899 259</u>	<u>6 979 932</u>

26 SERVICE CHARGES

Electricity	61 176 057	55 511 938
Water	12 819 223	11 551 611
Refuse removal	8 933 003	8 190 083
Sewerage and Sanitation Charges	14 579 455	13 051 742
Other	25 437	6 306
	<u>97 533 176</u>	<u>88 311 680</u>
Less: Rebates	(7 045 073)	(6 584 101)
Total Service Charges	<u>90 488 103</u>	<u>81 727 579</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27 OTHER INCOME

Building Plans	723 633	540 514
Development Contribution	53 605	5 475
Hawkers Fees	15 595	11 713
Rezoning	207 879	209 677
Landfill sites Re- estimate	-	-
Pension fund shortfall provision-written-off	-	362 232
Other	1 284 028	1 064 417
Total Other Income	<u>2 284 740</u>	<u>2 194 028</u>

Sundry income represents sundry income such as building plans, sale of sundry items and fees for items not included under service charges (camping, fire brigade and impounding fees)

28

EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	40 984 409	39 039 905
Employee related costs - Contributions for UIF, pensions and medical aids	10 184 504	9 146 131
Travel, motor car, accommodation, subsistence and other allowances	4 274 036	4 015 848
Housing benefits and allowances	412 045	242 512
Overtime Payments	3 097 674	2 571 392
Long Service Awards	219 337	170 640
Post Retirement Medical	1 605 758	2 842 884
Performance bonuses	410 208	564 872
Standby	114 630	63 884
Bonus	2 897 055	2 658 647
Other	-	-
Staff Leave	437 036	270 936
Total Employee Related Costs	64 638 693	61 587 651

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 7-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Mr C Africa

Annual Remuneration	1 231 924	1 178 207
Performance Bonus	169 037	-
Car Allowance	60 000	60 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	16 394	15 099
Cell phone allowance	12 000	12 000
Total	1 489 355	1 265 306

Remuneration of the Director Engineering Services - Mr BG Badenhorst (Period 01 July 2015 to 30 November 2015)

Annual Remuneration	287 634	667 667
Travelling Allowance	47 467	123 129
Contributions to UIF, Medical, Pension Funds and Bargaining Council	80 888	174 355
Cell phone allowance	4 000	9 600
Total	419 989	974 751

Remuneration of the Director Community Services- KD Stuurman

Annual Remuneration	684 918	542 160
Performance Bonus	84 701	-
Travelling Allowance	102 115	88 063
Rural allowance	23 663	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	188 983	147 415
Cell phone allowance	9 600	8 000
Total	1 093 980	785 638

Remuneration of the Director Financial Services - Mr H Schlebusch

Annual Remuneration	788 264	745 914
Performance Bonus	129 362	-
Car Allowance	51 176	48 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	204 570	192 754
Cell phone allowance	9 600	9 600
Total	1 162 972	996 268

Remuneration of the Director Corporate Services - Mr D du Plessis

Annual Remuneration	774 327	772 333
Performance bonus	129 362	-
Car Allowance	78 000	78 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	147 960	134 206
Cell phone allowance	9 600	9 600
Total	1 139 249	994 139

29	REMUNERATION OF COUNCILLORS		
	Executive Mayor allowance	734 233	697 231
	Deputy Executive Mayor allowance	556 791	562 678
	Speaker allowance	592 280	562 678
	Mayoral Committee Members allowances	592 280	529 040
	Councillors allowances	1 179 220	1 047 162
	Total Councillors' Remuneration	3 654 804	3 398 789
	<i>In-kind Benefits</i>		
	The Executive Mayor and all the committee members are full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost of the Council.		
30	DEBT IMPAIRMENT		
	Trade Receivables from non- exchange transactions	(1 781 899)	(2 394 114)
	Trade Receivables from exchange transactions	(852 424)	(354 934)
	Correction of over provision recognised as revenue	(2 634 323)	(2 749 048)
	Trade Receivables from exchange transactions	1 046 636	1 010 020
	Traffic Fines	15 668 297	10 519 597
	Total Contribution to Debt impairment	14 080 611	8 780 569
31	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	8 008 235	7 356 585
	Investment Property	31 330	13 554
	Intangible Assets	68 211	34 335
	Landfill Sites	2 422 071	2 912 435
		10 529 847	10 316 908
32	IMPAIRMENTS and WRITE OFFS		
	Landfill Sites	(93 368)	(251 051)
	Property Plant & Equipment	22 860	281 819
	Investment Properties	-	410 000
	Heritage Assets	-	-
		(70 508)	440 768
33	FINANCE CHARGES		
	Long-term Liabilities	4 198 483	4 015 217
	Finance leases	9 210	31 376
	Hire Purchases	44 828	92
	Post Employment Health	2 497 693	2 293 471
	Landfill Sites	3 585 571	6 029 285
	Long service awards	197 700	169 377
	Total finance charges	10 533 486	12 538 818
34	BULK PURCHASES		
	Electricity	46 133 748	40 390 577
	Total Bulk Purchases	46 133 748	40 390 577
35	GRANTS AND SUBSIDIES		
	Swellendam Tourism	1 113 000	1 060 000
	Lower Breede River Conservancy	330 000	330 000
	Total Grants and Subsidies	1 443 000	1 390 000

SWELLEDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

36	GENERAL EXPENSES	2016 R	2015 R
	Accounting Support	2 241 340	2 690 999
	Advertising	317 759	283 408
	Audit Fees	2 715 682	3 149 470
	Agency Fees	2 589 224	1 618 250
	Bank Charges	639 217	660 303
	Bargaining Council Levy	18 335	16 855
	Community Development Fund	49 070	97 452
	Contingency Fund	44 611	21 356
	Contractor Fees	2 144 630	1 616 001
	Donations	119 388	-
	Entertainment	127 292	180 242
	Eradication of invasive plants	36 805	145 000
	EPWP projects	1 178 318	-
	Financial Management Support	276 268	321 930
	Fuel	74 863	86 261
	GIS Licence	98 496	-
	Ignite Maintenance	348 251	321 381
	Insurance	563 753	678 832
	Laboratory Services	231 100	300 674
	Legal Fees	217 404	236 478
	Laundry Services	36 871	28 552
	Licences	142 358	221 399
	Machinery Hire	1 170 618	966 738
	Material & Stock	1 340 852	1 001 436
	Meter Replacements	86 550	93 876
	New Connections	44 549	57 122
	Pest Control	15 020	6 770
	Postage	740 775	665 663
	Plot Cleansing	48 204	27 825
	Refuse bags	477 938	181 625
	Rentals	139 289	73 154
	Risk Management	69 035	-
	Security	682 519	757 851
	Special Projects	2 574 511	529 305
	Special Projects-Housing	11 833 680	32 091 848
	Stationery and Printing	578 745	486 296
	Stormwater drainage	469 756	499 872
	Subscription Fees	717 946	638 489
	Subsistence and Travel	514 834	680 280
	Task Implementing	81 668	-
	Telephone	1 432 410	1 356 818
	Training	957 546	1 512 804
	Valuation Cost	22 170	93 295
	Vehicle running cost	2 684 552	2 998 622
	Water Monitoring Fees	227 739	-
	Ward Committees	28 011	34 610
	Ward Projects	63 196	99 332
	Water Research contribution	254 181	106 126
	Workmens Compensation	369 977	368 599
	Other	335 995	224 856
	General Expenses	42 173 297	58 228 056

37 CORRECTION OF ERRORS IN TERMS OF GRAP 3

Prior year adjustments due to non-compliance with accounting policy and errors

- 37.1**
- (i) With the assets verification process, it was found that property (erf 4605 Swellendam) was previously erroneously recognised as municipal property. This error is now rectified retrospectively in terms of GRAP 3 with the following entries : (Dt) Accumulated Surplus-prior years R3 693 500 and (Ct) Investment property R3 693 500, (Dt) Accumulated Depreciation - Investment properties R150 714.69 and (Ct) Accumulated Surplus-prior years R12916 and (Ct) Accumulated Surplus-current year (depreciation) R21 530.67
 - (ii) Municipal internal accounts with credit balances were found during the debtors reconciliation process. After inspection of these accounts it was evident that the credits originating during the 2013/14 financial period due to internal recoveries and transfers to SANRAL. The credit balances are now corrected with the following entries : (Dt) Debtors Control -Electricity R91 137.67 (Ct) Accumulated Surplus-prior years R91 137.67. The debtors with credit balances were included and disclose as Debtors Advance payments with in Payables From Exchange Transactions, and therefore the Payables From Exchange Transactions is re-stated.
 - (iii) Stock was found which was previously erroneously excluded from stock counts. This is now corrected with the following entries : (Dt) Inventory (Ct) Accumulated Surplus- prior years R280 539.21
 - (iv) With the adjustments to the asset register , errors were found which are now corrected retrospectively with the following entries: (Dt) Accumulated Surplus-Current year R220 344.66 (Repair and maintenance), (Ct) Accumulated Surplus -Current year R31 622.61 (depreciation)

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(Ct) Accumulated Surplus -prior years R1 753 248.87, (Dt) Property Plant and Equipment -cost R215 426.87 (Dt) Property Plant and Equipment - accumulated depreciation R1 349 099.95

- (v) Correction of impairment previously incorrectly stated as depreciation . This error is now corrected with the following entries :
 (Dt) Accumulated Depreciation (Ct) Accumulated Impairment R5 234
- (vi) First-time recognition of an unsold plot which was previously not included as inventory. This error is now rectified with the following entries : (Dt) Inventory
 (Ct) Accumulated Surplus - prior years R53 173.08
- (vii) Transfer of an asset to Property Plant and Equipment previously incorrectly recognised as a Heritage Asset : (Dt) Property Plant and Equipment
 R164 055.11, (Ct) Heritage Assets R164 055.11 (Dt) Accumulated Impairment - Heritage Assets R12 108.84, (Ct) Accumulated impairment-
 Property Plant and Equipment R12 108.84
- (viii) Correction of software erroneously not recognised since 2013 with the following entries: (Dt) Intangible assets-cost R18 381.71 (Dt) Accumulated
 Surplus - current year -(amortisation) R1 838.91 (Ct) Accumulated surplus -prior years R15 779.84 (Ct) Accumulated Amortisation R4 438.79
- (ix) First time recognition of investment properties found on the deeds search with the following entries : (Dt) Investment properties (Ct) Accumulated surplus
 prior years R5 871 474.48
- (x) The latest updated consulting engineers report for dumping sites indicating that the past method followed to report and accounting for the provisions to
 rehabilitate the dumping sites was erroneously calculated for the previous year. A revised report for 2015 was issued and the following corrections to rectify
 the (Dt) Accumulated surplus-prior years R3 847 315 (Dt) Restoration cost R2 952 955 (Ct) Non current provision R6 800 270 (Dt) Accumulated
 surplus -current year - Finance charges (Ct) Non current provisions R4 161 571.61 (Dt) Capitalized Restoration cost (Ct) Non current provision R7 168 1
 and (Dt Accumulated surplus prior years R2 820 947 and (Ct) Restoration cost- Accumulated Depreciation R2 413 304 -Accumulated Impairments
 prior years R407 643. (Ct) Accumulated surplus -current year (depreciation) R128 826 (dt) (impairments) (ct) R273 715 (Dt) Capitalized Restoration cost
 with R144889
- (xi) With an internal audit of the municipalities lease contracts with lessees, leases with escalation applicable were excluded in previous years calculations
 for lease assets. This error is now retrospectively rectified with the following entries : (Dt) Operating Lease assets R19 942.38 (Ct) Accumulated Surplus
 prior years R8 728.40 and (Ct) Accumulated Surplus- current year (Rental of facilities) R11 213.98

**The above note 37.1 representing the narratives of the following Corrections of Errors
as set out from notes 37.2 to 37.13**

37.2	Accumulated Surplus	2015	2014
		R	R
	Balance previously reported	207 025 084	196 041 209
	Correction of error- see note 37.1.(i)	(3 693 500)	(3 693 500)
	Correction of error- see note 37.1.(i)	150 715	129 184
	Correction of error- see note 37.1.(ii)	91 138	91 138
	Correction of error- see note 37.1.(iii)	280 539	280 539
	Correction of error- see note 37.1.(iv)	1 784 871	1 753 249
	Correction of error- see note 37.1.(iv)	(220 345)	
	Correction of error- see note 37.1.(vi)	53 173	53 173
	Correction of error- see note 37.1.(viii)	13 943	15 780
	Correction of error- see note 37.1.(ix)	5 871 474	5 871 474
	Correction of error-see note 37.1.(x)	(3 847 315)	(3 847 315)
	Correction of error-see note 37.1.(x)	(4 161 572)	
	Correction of error-see note 37.1.(x)	(2 820 947)	(2 820 947)
	Correction of error-see note 37.1.(x)	144 889	
	Correction of error-see note 37.1.(xi)	8 728	8 728
	Correction of error-see note 37.1.(xi)	11 214	
	Restated balance 30 June 2016	200 692 092	193 882 713
37.3	PAYABLES FROM EXCHANGE TRANSACTIONS	R	R
	Balance previously reported	22 303 800	13 748 766
	Correction of error-see note 37.1.(i)	(91 138)	(91 138)
	Restated balance 30 June 2016	22 212 662	13 657 628
37.4	Operating Lease Asset	R	R
	Balance previously reported	16 189	19 973
	Correction of error-see note 37.1.(xi)	19 942	8 728
	Restated balance 30 June 2016	36 132	28 702
37.5	Capitalised Restoration Cost	R	R
	Balance previously reported	409 682	211 246

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	Correction of error-see note 37.1.(x)-additions	2 952 955	2 952 955
	Correction of error-see note 37.1.(x)-accumulated depreciation	(2 413 304)	(2 413 304)
	Correction of error-see note 37.1.(x)-accumulated impairments	(407 642)	(407 642)
	Correction of error-see note 37.1.(x)-additions	7 168 161	
	Correction of error-see note 37.1.(x)-accumulated depreciation	(128 826)	
	Correction of error-see note 37.1.(x)-accumulated impairments	273 715	
	Restated balance 30 June 2016	7 854 741	343 255
37.6	Heritage Assets		
	Balance previously reported	R 2 475 911	R 2 475 911
	Correction of error-see note 37.1.(vii)	12 109	12 109
	Correction of error-see note 37.1.(vii)	(164 055)	(164 055)
	Restated balance 30 June 2016	2 323 965	2 323 965
37.7	Non Current Provisions - Landfill sites		
	Balance previously reported	10 858 289	5 985 866
	Correction of error-see note 37.1.(x)-capital	6 800 270	6 800 270
	Correction of error-see note 37.1.(x)- finance charges	4 161 572	
	Correction of error-see note 37.1.(x)-additions	7 168 161	
	Restated balance 30 June 2016	28 988 292	12 786 136
37.8	Property Plant and Equipment		
	Balance previously reported	242 187 547	229 695 795
	Correction of error- see note 37.1.(iv)	1 564 527	1 753 249
	Correction of error- see note 37.1.(vii)	164 055	164 055
	Correction of error- see note 37.1.(vii)	(12 109)	(12 109)
	Restated balance 30 June 2016	243 904 020	231 600 990
37.9	Inventory		
	Balance previously reported	11 823 377	12 282 043
	Correction of error-see note 37.1.(iii)	280 539	280 539
	Correction of error-see note 37.1.(vi)	53 173	53 173
	Restated balance 30 June 2016	12 157 089	12 615 755
37.10	Investment Property		
	Balance previously reported	21 003 625	20 998 833
	Correction of error- see note 37.1.(i) - cost	(3 693 500)	(3 693 500)
	Correction of error- see note 37.1.(i) - accumulated depreciation	150 715	129 184
	Correction of error- see note 37.1.(ix)	5 871 474	5 871 474
	Restated balance 30 June 2016	23 332 314	23 305 991
37.11	Intangible Assets		
	Balance previously reported	R 456 522	R 127 362
	Correction of error- see note 37.1.(viii)	13 943	15 780
	Restated balance 30 June 2016	470 465	143 142
37.12	Re- classifications in Statement of Performance		
	Revenue from Exchange Transactions		
	Other Income		
	Balance previously reported	4 943 076	
	Amount transferred to Debt Impairment reversal	(2 749 048)	
	Restated balance 30 June 2016	2 194 028	
	Debt Impairment reversal		
	Balance previously reported	2 749 048	
	Amount transferred from Other Income	(2 749 048)	
	Restated balance 30 June 2016	-	

37.12 Statement of Performance

Balance previously reported

Correction of error- see note 37.1.(i) depreciation
Correction of error- see note 37.1.(iv) depreciation
Correction of error- see note 37.1.(iv) repairs and maintenance
Correction of error- see note 37.1.(viii) depreciation
Correction of error-see note 37.1.(x)- depreciation
Correction of error-see note 37.1.(x)- impairments
Correction of error-see note 37.1.(x)-finance charges
Correction of error-see note 37.1.(xi)

R	R
15 947 134	
21 531	
31 622	
(220 345)	
(1 837)	
(128 826)	
273 715	
(4 161 572)	
11 214	

Effect on Rentals of facilities
Effect on Property Taxes
Effect on Other Income
Effect on Finance charges
Effect on Repairs and Maintenance
Effect on Interest Earned- outstanding debtors
Effect on Employee Related cost
Effect on Impairments /write offs
Effect on Government Grants and Subsidies
Effect on reversal of impairments
Effect on Depreciation and Amortisation

(4 174 497)
11 214
(4 161 572)
(220 345)
273 715
(77 510)

Total

11 772 637

38

RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2016 R	2015 R
Surplus/(Deficit) for the year	16 703 282	11 772 636
Adjustments for:		
Depreciation	10 461 637	11 370 103
Amortisation of Intangible Assets	88 211	34 335
Contributed Assets	(58 000)	
Loss on disposal of Property, Plant and Equipment	(1 816 837)	
Gain on disposal of Property, Plant and Equipment	30 954	
Debt Impairment	13 886 399	7 770 549
Debt Impairment reversal	(2 634 323)	(2 749 048)
Reversal of impairments	(93 368)	(273 715)
Bad debts written off	(5 088 574)	(346 835)
Stock adjustments	327 681	(71 899)
Contribution to current employee benefits	818 743	201 003
Contribution from/to employee benefits	3 210 093	4 698 803
Contribution to Landfill site	3 585 571	6 029 286
Actuarial Gains/losses	(2 062 771)	(1 197 363)
Impairments/write off	22 860	714 483
Interest received (Grants Investments)		
Grants Received	57 561 848	92 937 849
Grant Expenditure	(60 642 520)	(83 316 242)
Operating lease income accrued	(8 252)	(7 430)
Operating Surplus/(Deficit) before changes in working capital	34 272 635	47 566 714
Changes in working capital	(20 620 097)	3 109 929
Increase/(Decrease) in Payables for Exchange Transactions	(9 560 207)	8 555 034
Increase/(Decrease) in Taxes	236 748	3 186 091
(Increase)/Decrease in Inventory	(729 571)	530 366
(Increase)/Decrease in Assets Held for Sale		
(Increase)/Decrease in Trade and other receivables	(10 567 066)	(9 161 561)
Cash generated/(absorbed) by operations	13 652 538	50 676 643

39

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 23
Cash Floats - Note 23
Bank - Note 23

Total cash and cash equivalents

6 171	6 171
36 427 463	36 659 419
36 433 634	36 665 590

40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 39	36 433 634	36 665 590
Less:	36 433 634	36 665 590
	(12 390 240)	(10 234 167)
Unspent Committed Conditional Grants - Note 10	(3 899 258)	(6 979 932)
Unpaid Government Grants	-	-
VAT - Note 12	1 509 018	1 745 765
Capital Replacement Fund	(10 000 000)	(5 000 000)
Resources available for other and working capital requirements	24 043 395	26 431 422

41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	38 825 124	39 231 034
Used to finance property, plant and equipment - at cost	(38 825 124)	(39 231 034)
Cash set aside for the repayment of long-term liabilities	-	-
Cash Invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

42 BUDGET COMPARISONS

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
42.1 Operational				
Revenue by source				
Property taxes	29 286 470	29 216 450	70 020	0%
Government Grants and Subsidies - Capital	15 637 906		15 637 906	100%
Government Grants and Subsidies - Operating	45 004 615	65 538 913	(20 534 298)	-31%
Fines	26 098 911	24 514 000	1 584 911	6%
Actuarial Gains	2 120 324	-	2 120 324	100%
Service Charges	90 488 103	89 495 015	993 088	1%
Rental of Facilities and Equipment	1 402 826	1 192 870	209 956	18%
Interest Earned - external investments	2 664 828	1 900 000	764 828	41%
Interest Earned - outstanding debtors	1 913 804	1 900 000	13 804	1%
Licences and Permits	874 758	860 200	14 558	2%
Reversal of Impairments	93 368	-	93 368	100%
Agency Services	1 522 810	1 450 000	72 810	5%
Contributed Assets	58 000	-	58 000	100%
Other Income	4 919 063	1 731 600	3 187 463	184%
Gain on disposal of Property, Plant and Equipment	1 816 837	4 300 000	(2 483 163)	-58%
	223 922 622	222 099 048	1 823 574	0.821%
Expenditure by nature				
Employee Related Costs	64 636 693	69 030 675	(4 393 982)	6%
Remuneration of Councillors	3 654 804	3 772 820	(118 016)	3%
Debt Impairment	16 714 934	19 826 200	(3 111 266)	16%
Depreciation and Amortisation	10 529 848	9 253 100	1 276 748	-14%
Impairments/Write-offs	22 860	-	22 860	-100%
Repairs and Maintenance	10 960 481	13 178 374	(2 217 893)	17%
Actuarial losses	57 553	-	57 553	-100%
Stock Adjustments	327 681	-	327 681	-100%
Finance Charges	10 533 486	6 035 320	4 498 166	-75%
Bulk Purchases	46 133 748	46 241 000	(107 252)	0%
Grants and Subsidies	1 443 000	1 453 600	(10 600)	1%
Operating Grant Expenditure	-	-	-	0%
General Expenses	42 173 297	48 362 298	(6 189 001)	13%
Loss on disposal of Property, Plant and Equipment	30 954	-	30 954	-100%
	207 219 340	217 153 387	(9 934 047)	5%
Net Surplus for the year	16 703 282	4 945 661	11 757 621	238%

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	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
42.2 Expenditure by Vote				
Corporate Services	26 277 852	28 089 376	(1 811 524)	-6%
Municipal Manager	6 698 040	8 161 349	(1 463 309)	-18%
Community Services	62 549 019	64 151 385	(1 602 366)	-2%
Engineers Service	91 376 249	94 737 148	(3 360 899)	-4%
Finance Service	20 318 179	22 014 129	(1 695 950)	-8%
	207 219 340	217 153 387	(9 934 047)	-5%

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
42.3 Capital expenditure by vote				
Corporate Services	2 376	5 000	(2 624)	-52%
Municipal Manager	57 076	60 000	(2 924)	-5%
Community Services	1 142 656	2 406 363	(1 263 707)	-53%
Engineers Service	16 092 901	16 269 752	(176 851)	-1%
Finance Service	385 370	606 586	(221 216)	-36%
	17 680 379	19 347 701	(1 667 322)	-9%

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

43.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	23 839 513
Unauthorised expenditure current year - capital		
Unauthorised expenditure current year - operating		
Condoned by council		(23 839 513)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	Prior year expenditure has been condoned

	2016 R	2015 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)		

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	1 214 071	3 717 053
Fruitless and wasteful expenditure current year		
Written off by council	(1 214 071)	(2 502 982)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	-	1 214 071

Incident	Disciplinary steps/criminal proceedings	
Interest and penalties -late payment on VAT	Written off	39 104
Printer Trust-poor quality of printing	Written off	12 634
Syntell-non compliance with SCM procedures	Written off	675 000
Quadrix Asset Management-wasted cost and value for money	Written off	281 808
JC Fumigation-wasted cost and value for money	Written off	194 769
Bargaining Council-wasted cost and legal fees	Written off	10 756
		1 214 071

43.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	15 127	3 728 511
Irregular expenditure current year	269 904	15 127
Investigated and written off by Council	(285 031)	(3 728 511)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	-	15 127

Irregular expenditure awaiting condonement from National Treasury

Incident	Disciplinary steps/criminal proceedings	
Directors in service of the state- Pienaar Brothers	Written off	
Remuneration of Director of Community Services	Written off	238 238
T Sedgewick Holdings (Pty) LTD-non compliance with SCM	Written off	31 665
		269 904
		15 127

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

43.4 Material Losses

Water distribution losses

- Kilo litres disinfected/purified/purchased	1 892 083	1 761 327
- Kilo litres lost during distribution	636 078	496 808
- Percentage lost during distribution	33.62%	28.21%

Electricity distribution losses

- Units purchased (Kwh)	54 179 622	52 278 007
- Units lost during distribution (Kwh)	7 079 422	6 876 025
- Percentage lost during distribution	13.07%	13.15%

**2016
R** **2015
R**

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1 Contributions to organised local government - IMFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	717 946	638 489
Amount paid - current year	(717 946)	(638 489)
Amount paid - previous years	-	-
Balance unpaid (in dispute)	-	-

	2016 R	2015 R
44.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	2 715 682	3 132 919
External Audit - Auditor-General	2 652 535	3 091 648
Audit Committee	63 147	41 271
Amount paid - current year	(2 715 682)	(3 132 919)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

44.3 VAT - [MFMA 125 (1)(b)]		
VAT balance at year end - Refer to note 12	1 509 018	5 359 802
Closing balance - Receivable	1 509 018	5 359 802

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

44.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	8 878 594	8 053 290
Amount paid - current year	-8 878 594	(8 053 290)
Balance unpaid (included in creditors)	-	-

44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	12 306 875	14 659 158
Amount paid - current year	(12 306 875)	(14 659 158)
Balance unpaid (included in creditors)	-	-

44.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]	
No Councillors had arrear accounts for more than 90 days as 30 June 2016	

44.7 Deviations from Supply Chain Management Regulations

Non-compliance summary

Department:

Corporate Services	214 043
Community Services	1 852 629
Engineers Service	1 105 818
Municipal Manager	105 002
Finance Service	206 310
	3 482 802

	< R30000	>R30000	<R200000	>R200000
Per Quarter				
1	135 583	541 478		677 061
2	140 106	255 536		395 642
3	148 269	225 402		373 671
4	172 463	584 377	1 279 587	2 036 427
Total	596 421	1 606 793	1 279 587	3 482 802

44.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

Company	Name	Relation	
Heins Auto Elektrics	J.de Jager	Brother	47 158
Exeo Khokela Civil Engineers	T.Meyer	Brother	161 528
Lebazi Brothers	Cri Lebazi	Aunt	301 954
Theresa Rossouw	C Rossouw	Husband	4 350
Kemazi	JN. Du Toit	Husband	392 539
			907 529

44.9 Other non-compliance (MFMA 125(2)(e))

SWELLENHAM MUNICIPALITY
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Creditors payments were not made within 30 days as required by the MFMA.

45

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

**2016
R**

**2015
R**

11 298 586

10 693 884

Total commitments consist out of the following:

Contract/Tender

Upgrading and re-location Barrydale Sewerage Treatment Plant	222/2010	159 305	192 267
Upgrading Water Treatment Works-Suurbraak	T02/12-13WTW02	2 392 793	2 727 784
Upgrading Waste Water Treatment Works-Suurbraak	T02/12-13WTW02	1 625 378	1 852 931
Upgrading Water Treatment Works-Buffeljagsrivier	T02/12-13WTW01	-	632 544
Upgrading Waste Water Treatment Works-Buffeljagsrivier	T02/12-13WTW01	-	374 558
Upgrading of Streets and Stormwater - Railton	SM-T02-13/RS01	-	98 354
Upgrading of Buffelsjag Bulk Water	SM-T32/14-15	-	2 200 986
Re-thatching of roofs-Caravan Park	SM-T34/14-15	-	377 076
Supply , Installation of 11 KV line in Suurbraak	SM-T44/14-15	-	367 932
Professional services Water demand Management	SM-T02/12-13/003	-	1 869 454
Supply and Installation of mechanical and electrical equipment	SMT05/15/16	84 096	-
Provision of Professional Services: Barrydale Bulk Water Reservoir	SMT14/15/16	2 125 169	-
Upgrading of gravel roads in Railton	SMT24/15/16	4 197 748	-
Upgrading of Suurbraak Library	SMT34/15/16	714 097	-
		11 298 586	10 693 884

This expenditure will be financed from:

External Loans

Government Grants

11 298 586

10 693 884

11 298 586

10 693 884

FINANCIAL RISK MANAGEMENT

2016
R

2015
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(277 151)	(414 218)
0.5% Decrease in interest rates	138 575	207 109

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 and 21 for balances included in receivables that were re-negotiated for the period under review.

SWELLEDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Balances past due not impaired:

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates	5.08%	384 714	4.05%	389 280
Traffic Fines	131.39%	41 132 447	132.52%	25 882 431
<u>Exchange Receivables</u>				
Electricity	4.64%	122 383.62	4.60%	169 806
Water	7.59%	293 784.67	9.62%	372 394
Refuse	8.28%	225 777.08	9.25%	252 182
Sewerage	8.15%	360 540.30	8.93%	390 037
Other	-1.13%	(27 730.66)	-1.87%	(40 636)
	6.05%	974 755	6.80%	1 143 784

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates	19.47%	7 567 112	33%	9 614 216
Traffic Fines	80.53%	31 305 505	67%	19 530 868
	100.00%	38 872 617	100%	29 145 084
<u>Exchange Receivables</u>				
Electricity	16.38%	2 639 297	21.95%	3 692 727
Water	24.00%	3 868 785	23.00%	3 869 878
Refuse	16.91%	2 725 248	16.21%	2 727 364
Sewerage	27.46%	4 425 072	25.95%	4 365 972
Other	15.26%	2 458 688	12.89%	2 169 459
	100.00%	16 117 091	100.00%	16 825 399
	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates	6.38%	265 206	100%	346 835
Traffic Fines	93.62%	3 893 660		-
	100.00%	4 158 866	100%	346 835
<u>Exchange Receivables</u>				
Electricity	8.78%	81 666	0.00%	-
Water	27.21%	252 949	0.00%	-
Refuse	22.08%	205 320	0.00%	-
Sewerage	26.26%	244 150	0.00%	-
Other	15.66%	145 624	0.00%	-
	100.00%	929 709	0.00%	-

Bad debts written off per debtor class:

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	8 019 780	7 135 931
Receivables from non-exchange transactions	12 259 677	8 739 863
Cash and Cash Equivalents	36 433 634	36 665 590
	<u>56 712 991</u>	<u>52 541 383</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

SWELLEDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2016				
Long Term liabilities - Annuity Loans	6 570 588	22 258 729	24 370 826	13 388 566
Capital repayments	2 725 703	9 107 517	14 320 269	10 441 372
Interest	3 844 885	13 151 211	10 050 557	2 947 194
Long Term liabilities - Hire Purchases	566 175	2 264 701	-	-
Capital repayments	374 883	1 855 380	-	-
Interest	191 292	409 321	-	-
Provisions - Landfill Sites	15 943 035	17 483 526	-	8 734 802
Capital repayments	15 147 776	14 995 560	-	2 430 527
Interest	795 258	2 487 965	-	6 304 275
Trade and Other Payables	7 738 425	-	-	-
Unspent conditional government grants and receipts	3 899 258	-	-	-
	<u>34 717 481</u>	<u>42 006 955</u>	<u>24 370 826</u>	<u>22 123 368</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities - Annuity Loans	6 610 797	23 373 877	26 644 874	17 185 261
Capital repayments	2 458 289	9 336 312	14 701 218	12 509 895
Interest	4 152 508	14 037 565	11 943 656	4 675 366
Long Term liabilities - Finance Lease Liability	234 531	-	-	-
Capital repayments	225 321	-	-	-
Interest	9 210	-	-	-
Long Term Liabilities - Hire Purchases	19 068	-	-	-
Capital repayments	18 976	-	-	-
Interest	92	-	-	-
Provisions - Landfill Sites	12 484 283	2 918 351	-	32 306 824
Capital repayments	11 861 551	2 146 866	-	14 979 875
Interest	622 731	771 485	-	17 326 949
Trade and Other Payables	17 736 538	-	-	-
Unspent conditional government grants and receipts	6 979 932	-	-	-
	<u>44 065 148</u>	<u>26 292 228</u>	<u>26 644 874</u>	<u>49 492 085</u>

47

FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

47.1 Financial Assets

Classification

Receivables

Receivables from exchange transactions
Receivables from non-exchange transactions

Financial instruments at amortised cost
Financial instruments at amortised cost

8 019 780
175 280

7 135 931
93 005

Other Receivables

Government subsidies and grants

Financial instruments at amortised cost

-

-

Short-term Investment Deposits

Call Deposits

Financial instruments at amortised cost

-

-

Bank Balances and Cash

Bank Balances
Cash Floats and Advances

Financial instruments at amortised cost
Financial instruments at amortised cost

36 427 463
6 171

36 659 419
6 171

44 628 694

43 894 526

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	44 628 694	43 894 526
At amortised cost	44 628 694	43 894 526

FINANCIAL INSTRUMENTS (CONTINUE)

47.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	33 916 594	36 547 425
	Capitalised Lease Liability	Financial instruments at amortised cost	-	(0)
	Hire Purchases	Financial instruments at amortised cost	1 855 380	-
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	7 738 425	17 736 538
	Accrued interest	Financial instruments at amortised cost	713 007	669 114
	Retentions	Financial instruments at amortised cost	1 722 216	1 660 908
	Deposits	Financial instruments at amortised cost	372 956	235 019
	Other	Financial instruments at amortised cost	136 597	224 242
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	3 899 257	6 979 931
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	2 678 267	2 458 289
	Capitalised Lease Liability	Financial instruments at amortised cost	-	225 321
	Hire Purchases	Financial instruments at amortised cost	374 883	-
			53 407 582	66 756 786

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	53 407 582	66 756 786
-----------------------------------------	-------------------	-------------------

48 STATUTORY RECEIVABLES

In accordance with principles of GRAP 108, Statutory Receivables of the municipality are classified as follows;

Taxes		
Vat receivable	1 509 018	1 745 765
Receivables from Non Exchange Transactions		
Property rates	2 257 355	2 295 294
Fines	9 826 942	6 351 563

49 EVENTS AFTER THE REPORTING DATE

None

50 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITIES

Guarantees held at First National Bank

- Eskom R3700
- Department of Minerals and Energy, RSA R20000

Swellendam Municipality vs D Marais - Case Number 1472/2013 High Court

Application for demolition order - Legal cost approximately R 5 000

R van Rooi vs Swellendam Municipality - Case Number 945/2015 Labour Court

Discrimination dispute: Approximately R200 000

Swellendam Municipality vs M Steenkamp - Case Number 1826/2014

Defended litigation: Claim for wasted expenditure and counter claim for damages: Legal cost approximately R550 000

R van Rooi vs Swellendam Municipality- Labour Court

Application to review constructive dismissal - Legal cost approximately R200 000

53 RELATED PARTIES

53.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 18 to the Annual Financial Statements.

53.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

53.3 Compensation of Councillors

The compensation of Councillors is set out in note 29 to the Annual Financial Statements.

53.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

See note 44.8

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

The following transactions were made :

Key management

CM Africa
H Schiebusch
D Du Plessis
BG Bardenhorst

2016 Services and rates	2016 Outstanding Balance
11 116	400
13 013	1 013
16 267	1 756
5 428	-
45 825	3 170

Councillors

HC Hartnick
MJ Koch
G Carelse
RE&A Labasi
JDT Loubser
JC Nortje
C&M Swart

2016 Services and rates	2016 Outstanding Balance
4 470	372
39 160	3 028
5 449	424
5 181	431
7 725	-
22 487	1 726
4 487	330
88 959	6 310

APPENDIX A - Unaudited
SWELLENDAM LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2015	Received during the period	Interest Capitalised	Redeemed written off during the period	Balance at 30 JUNE 2016
ANNUITY LOANS								
STREETS - DBSA	8.08%	61003251	2021	184 221			30 704	153 517
UPGRADING OF ELECTRICAL NETWORK-DBSA	8.53%	61003274	2021	684 195			105 261	578 934
INFRASTRUCTURE-DBSA	8.53%	61000017	2017	257 987			103 195	154 792
INFRASTRUCTURE- PHASE 2-DBSA	10.56%	61000149	2024	3 516 964			249 377	3 267 587
INFRASTRUCTURE- PHASE 4-DBSA	9.26%	61000638	2017	1 529 213			730 056	799 157
INFRASTRUCTURE- PHASE 3-DBSA	8.89%	61000371	2025	3 626 099			220 213	3 405 886
INFRASTRUCTURE-2007-DBSA	11.12%	61000744	2029	3 916 114			125 282	3 790 832
INFRASTRUCTURE-2008-DBSA	12.20%	61000846	2030	18 428 976			435 678	17 993 298
INFRASTRUCTURE -2015-ABSA	9.00%		2025	6 861 942		15 657	426 744	6 450 854
Total Annuity Loans				39 005 711	0	15 657	2 426 510	36 594 859
HIRE PURCHASES								
ABSA	8%		2021	0	2 230 263	0	0	2 230 263
Total Hire Purchases				0	2 230 263	0	0	2 230 263
LEASE LIABILITY								
Vehicles and office equipment				225 321			225 321	0
Total Lease Liabilities				225 321	0	0	225 321	0
TOTAL EXTERNAL LOANS				39 231 032	2 230 263	15 657	2 651 831	38 825 124

APPENDIX B - Unaudited
SWELLEDAM LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
MUNICIPAL VOTES CLASSIFICATION

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Budgeted Income	2016 Actual Income R	2016 Budgeted Expenditure	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
540 514	(14 976)	525 538	BUILDING CONTROL	870 000	723 633	41 724	(14 194)	709 439
637 867	(1 193 719)	(555 852)	CARAVAN PARK	746 120	795 210	1 354 149	(1 046 044)	(250 834)
33 310	(55 620)	(22 310)	CEMETERIES	41 000	40 904	120 920	(93 542)	(52 637)
243 489	(394 770)	(151 281)	COMMONAGE	117 750	262 450	493 000	(289 133)	(26 683)
32 144 606	(35 034 783)	(2 890 177)	COMMUNITY SERVICES	13 860 818	11 900 747	17 759 829	(15 592 976)	(3 692 228)
169 543	(6 179 636)	(6 010 093)	CORPORATE SERVICES	712 960	345 036	9 354 889	(7 791 066)	(7 446 029)
53 148 977	(17 750 982)	35 397 995	COUNCIL GENERAL	55 566 950	58 278 435	15 140 258	(15 709 848)	42 568 787
3 180	(4 734 626)	(4 731 446)	ELECTRICITY ADMIN	7 000	7 045	6 137 748	(5 815 251)	(5 808 206)
51 686 044	(42 834 867)	8 851 178	ELECTRICITY NETWORK	59 678 000	64 183 197	49 289 290	(47 679 013)	16 504 184
21 935 123	(7 197 127)	14 737 996	ENGINEERS SERVICES	16 630 000	16 394 394	9 983 302	(9 106 264)	7 288 130
5 801 039	(21 381 326)	(15 580 288)	FINANCIAL SERVICES	7 026 000	7 535 441	21 988 289	(20 302 876)	(12 767 435)
64 297	(433 972)	(349 676)	HALLS	90 000	91 888	664 795	(549 862)	(457 974)
-	(17 133)	(17 133)	IDP	200 000	60 000	228 060	(79 141)	(19 141)
289 723	(662 335)	(372 612)	IRRIGATION WATER	290 000	292 358	735 633	(606 258)	(313 900)
4 264 229	(3 578 341)	685 888	LIBRARY	4 823 000	3 824 576	4 312 154	(3 726 390)	98 186
-	(7 432)	(7 432)	LOCAL ECONOMIC DEVELOPMENT	0	-	23 470	(12 671)	(12 671)
-	-	-	MAIN ROADS	30 000	10 793	36 000	(10 793)	-
-	(5 177 373)	(5 177 373)	MUNICIPAL MANAGER	0	-	5 345 228	(4 858 158)	(4 858 158)
-	(272 078)	(272 078)	OFFICE BUILDINGS	0	-	328 100	(342 874)	(342 874)
-	(5 620 060)	(5 620 060)	PARKS	0	-	6 792 647	(5 994 165)	(5 994 165)
6 426	(9 408)	(2 982)	POUND	14 000	15 947	10 590	(5 299)	10 648
7 810 653	(13 389 003)	(5 578 350)	REFUSE	8 206 690	6 971 614	5 807 818	(10 693 894)	(3 722 280)
92 695	(11 525)	81 170	RENTED BUILDINGS	115 000	124 491	24 100	(21 100)	103 391
-	(989 887)	(989 887)	SEWERAGE ADMINISTRATION	0	-	1 187 787	(933 395)	(933 395)
11 977 604	(3 000 888)	8 976 715	SEWERAGE NETWORK	13 299 425	10 818 641	2 715 859	(2 966 735)	7 849 906
-	(1 906 035)	(1 906 035)	SEWERAGE PURIFICATION	0	-	2 364 161	(3 771 920)	(3 771 920)
3 894	(133 748)	(129 854)	SPORTS AND RECREATIONS	3 000	4 301	225 919	(172 926)	(168 624)
-	(30 001)	(30 001)	STORES	0	-	25 840	(15 303)	(15 303)
300	(863 625)	(863 325)	STORMWATER	2 000	2 000	895 000	(953 391)	(951 391)
-	(1 453 182)	(1 453 182)	STREET LIGHTS	0	-	1 657 000	(1 520 295)	(1 520 295)
3 615	(9 374 717)	(9 371 102)	STREETS	19 000	19 605	10 181 964	(9 473 608)	(9 454 002)
389 342	(436 922)	(47 580)	THUSONG MULTIPURPOSE CENTER	295 155	291 764	627 752	(618 525)	(326 761)
437 020	(1 060 000)	(622 980)	TOURISM	1 562 980	702 642	2 540 491	(1 726 970)	(1 024 328)
213 027	(1 864 256)	(1 651 229)	TOWN PLANNING	212 000	225 769	3 059 525	(2 473 812)	(2 248 042)
22 163 441	(17 524 147)	4 639 293	TRAFFIC AND LICENSING	26 800 200	28 474 248	26 474 812	(24 055 396)	4 418 851
-	(1 500)	(1 500)	WATER DAMS	0	-	32 000	(13 760)	(13 760)
10 311 487	(3 862 591)	6 448 896	WATER NETWORK	11 081 000	11 527 491	4 876 153	(3 371 128)	8 156 363
-	(3 961 320)	(3 961 320)	WATER PURIFICATION	0	-	4 108 331	(4 597 209)	(4 597 209)
-	(198 755)	(198 755)	WATER WORKS	0	-	197 000	(203 788)	(203 788)
-	(6 137)	(6 137)	WORKSHOP FLEET	0	-	11 820	(10 567)	(10 567)
224 391 444	(212 618 807)	11 772 637	TOTAL	222 099 048	223 922 622	217 153 387	(207 219 340)	16 703 282
INTERNAL CHARGES					10 849 270		(10 849 270)	

APPENDIX C - Unaudited
SWELLENDAM LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Budgeted Income	2016 Actual Income R	2016 Budgeted Expenditure	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
54 315 551	(26 204 620)	28 110 930	Corporate Services	57 279 660	59 835 324	(28 089 376)	(26 277 852)	33 557 471
529 715	(6 273 464)	(5 743 749)	Municipal Manager	1 877 980	887 133	(8 161 349)	(6 698 040)	(5 810 907)
67 538 064	(77 409 724)	(9 871 660)	Community Services	54 879 983	52 411 199	(64 151 385)	(62 549 019)	(10 137 820)
96 207 075	(81 319 671)	14 887 404	Engineers Service	101 036 425	103 253 525	(94 737 148)	(91 376 249)	11 877 276
5 801 039	(21 411 328)	(15 610 289)	Finance Service	7 025 000	7 535 441	(22 014 129)	(20 318 179)	(12 782 738)
224 391 444	(212 618 807)	11 772 637	Total	222 099 048	223 922 622	(217 153 387)	(207 219 340)	16 703 282
			INTERNAL CHARGES		10 849 270		(10 849 270)	
					234 771 892		(218 068 610)	16 703 282

APPENDIX D - Unaudited
SWELENDAM LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2015	Correction of error	Balance 1 JULY 2015	Grants Received	Grants Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2016
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R		R	R	R
<u>National Government Grants</u>								
Equitable Share	-	-	-	21 922 000		(21 922 000)		-
Local Government Financial Management Grant	-	-	-	1 600 000		(1 600 000)		-
Municipal Infrastructure Grant	-	-	-	11 684 000		(584 200)	(11 073 362)	26 438
Municipal Systems Improvement Grant	-	-	-	940 000		(248 381)	(434 822)	256 797
RBIC	-	-	-	-				-
EPWP	-	-	-	1 215 000		(1 179 762)		35 238
Municipal Disaster Recovery Fund	115 000	-	115 000			(115 000)		-
INEG	-	-	-	3 000 000			(3 000 000)	-
Total National Government Grants	115 000	-	115 000	40 361 000	-	(25 649 343)	(14 508 184)	318 473
<u>Provincial Government Grants</u>								
Social Plan Fund	26 392		26 392	-				26 392
Economic Development Plan	50 000		50 000	-				50 000
Multi Purpose Sentrum	76 025		76 025	-				76 025
Library Services-conditional grant	23 667		23 667	1 537 000		(537 000)		1 023 667
Emergency Housing - Malaga's	33 622		33 622	-				33 622
Human Settlement Development Grant	4 970 818		4 970 818	7 087 801		(11 833 680)		224 939
Municipal Replacement Fund	-		-	3 240 000		(3 240 000)		-
Seta	226 301		226 301	471 659		(327 935)		370 025
Financial Management Support Grant	339 000		339 000	1 050 000	250 000	(954 607)		684 393
Prov IDP Grant	200 000		200 000	-		(60 000)		140 000
Municipal Infrastructure Support Grant	500 000		500 000	-		(324 900)		175 100
Municipal Infrastructure Support Grant	312 980		312 980	-	(250 000)	(62 980)		0
Thusong Service Centre Grant	15 155		15 155	100 000		(100 000)		15 155
ACIP				2 998 965		(1 869 243)	(1 129 722)	-
Municipal Infrastructure support				450 000		(34 133)		415 867
Main Road Subsidy				15 423		(10 793)		4 630
Total Provincial Government Grants	6 773 960	-	6 773 960	16 950 848	-	(19 355 271)	(1 129 722)	3 239 814
<u>Other Grant Providers</u>								
Swellendam Festival	-	-	-	-				-
Vegetable Project - Barrydale	81 723	-	81 723	-				81 723
Masababane Projects	9 248	-	9 248	-				9 248
EMP Railton Erf 5269	-	-	-	-				-
Wesgro	-	-	-	250 000			-	250 000
Total Other Grant Providers	90 971	-	90 971	250 000	-	-	-	340 971
Total	6 979 930	-	6 979 931	57 561 848	-	(45 004 614)	(15 637 906)	3 899 257



SWELLEN DAM MUNICIPALITY

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